The China Weekly

REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

War Deadlocked After Year of Destruction and Bloodshed

COMPLETE REVIEW OF ALL PHASES OF THE WAR INCLUDING MILITARY AND FINANCIAL SITUATIONS IN BOTH COUNTRIES

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Lin Yu-tang Sees End of Japan's Resources this Fall
Possible British Mediation for Sino-Japanese Peace
Japanese Princess Dowager Visits Wounded in Formosa
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Chungking, Mother to China's Orphans . . By C. Y. W. Meng
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LIN YU-TANG SEES END OF JAPAN'S RESOURCES THIS FALL

LIN Yu-tang, China's best known English writer, author of "My Country and My People," "Importance of Living," and other works, including numerous magazine articles dealing with China, has written friends expressing the view that Japan's financial resources will be exhausted by the end of this summer. And since the end will still not be in sight, the clamor for peace, already audible, will force further cabinet changes with inevitable political and financial complications.

Mr. Lin, who is now in Paris following extensive visits in America and Great Britain, said that Europe was getting the impression that Japanese atrocities are quite comparable to and even surpass the worst allegations of German atrocities in the World War, and that the honor of the Japanese Imperial Army, about which the Japanese are so sensitive, can not be maintained by the discipline of Nippon's soldiers.

According to this keen observer of developments affecting his country—and Japan—the best indication of the falling morale of the Japanese soldier is shown in the ridiculous attempts to comple foreigners to show their respect by removing cigarettes and hats before sentries. Mr. Lin might also have included the slapping of foreigners, particularly diplomats and women as a further indication of the falling prestige of the Japanese soldier.

Referring to the fall of Hsuchow, Mr. Lin said that the news "wasn't so good as we would like to have it, "but generally it is quite satisfactory. . . ." just continue the wearing down process and get the Japanese as far inland as possible . . . . the future will tell who really was defeated at Hsuchow . . . . politically the Japanese lost the war when they captured Nanking and then looted and raped . . . . militarily the Japanese lost when they captured Hsuchow . . . . "

Of further unquestioned significance were recent reports in Tokyo newspapers indicating that Japan has begun to feel both political and economic pressure from abroad. If this were not correct there would be no merit in printing alarming reports in the Japanese newspapers that such pressure was being applied or expected.

The significant element is that the pressure which Japan is now feeling is only the normal precautions of businessmen who are no longer taking chances on Japan's ability to pay her bills. The drop in the value of the Japanese yen, due to the floods of paper money now being released from the printing presses, are the real cause of growing concern over the world regarding Japan's ability to pay her bills.

POSSIBLE BRITISH MEDIATION FOR SINO-JAPANESE PEACE

BRITAIN'S willingness to mediate was indicated last week when Lord Halifax, Foreign Secretary, stated that Great Britain was ready to offer its services. Lord Halifax said the time was approaching when it would be possible for Great Britain to intervene with "good effect." He pointed out that the conflict had approached a stage which would permit negotiation.

Apprehensive of foreign intervention, leading Tokyo papers declared that Japan must "positively reject" such action. Joint interference so far has not been attempted by the Powers, the *Asahi* declared, but "foreign economic pressure is steadily tightening." The paper urged that Japan should never accept joint peace proposals "unfairly favorable to China."

The Hongkong correspondent of the Tokyo *Nichi Nichi* alleged that Gen. Chiang Kai-shek had instructed Chinese Ambassadors in Europe to ask the European Powers, particularly Britain, to mediate before the Japanese occupation of Hankow.

M. Tani, Japanese Minister-at-Large stationed in Shanghai, who returned to Japan on June 25 declared that Gen. Chiang was anxious for peace but believed that China, under the Kuomintang Party, was determined to continue the war to the bitter end. It was rumored that Tani might be appointed Vice-Minister of Foreign Affairs succeeding K. Horinouchi.

SINO-FRENCH RAILWAY PACT

The Japanese claimed knowledge of an alleged contract for the construction of a railway between French Indo-China and Kwangsi. The contract allegedly was signed on April 22 in Paris between representatives of a F.150,000,000 French Consortium and the National Government. The contract called for construction of Laongson-Nanning Railway by way of Chennangkwan and Mingkiang in Kwangsi. Construction was expected to cost F.120,000,000 and the remainder of the loan, F.30,000,000, was secured on the railway revenue and interest on salt duties.

A Tokyo Foreign Office spokesman alleged that George Bonnet, French Foreign Minister, had promised Y. Sugiyama, Japanese Ambassador in Paris, to take "necessary steps to discontinue supplies of arms and ammunitions to China through French Indo-China." Mr. Bonnet was said to have told Mr. Sugiyama that shipments of arms to China by private firms on old contracts could not be stopped."

Japanese newspapers made much out of the visit in Hongkong of several foreign diplomatic representatives. The Hongkong correspondent of the Tokyo *Nichi-Nichi* alleged that a meeting of British, Italian and German Ambassadors was planned to be held in Hongkong, at which foreign mediation will be discussed.

Anti-war movements are developing in Japan due to the prologation of hostilities, according to a neutral observer who recently returned from Tokyo. Anti-war elements are working secretly in many parts of Japan, he stated. The police in Osaka recently discovered plots to create acts of violence including distruction of railways, mines and factories.

BELGIAN LEADERS ASK ACTION

A radio-broadcast appeal on behalf of China, advocating joint action by the League of Nations and the United States for safeguarding the independence of the Chinese, was made on June 23 by the veteran Belgian Socialist leader, Emile Vandervelde:

> "It is morally and politically impossible for Europe to be disinterested in the Far Eastern conflict, and we must be one hundred per cent in favor of those who defend themselves against those who attack. Too often of late has the League cruelly deceived expectations, for instance in connection with 'Manchukuo.' May the League, in cooperation with the United States, now contribute to the triumph of a cause which is her own; for the cause of China's independence is the cause of law and humanity."

Sudden departure of the Soviet Ambassador, L. Orelesky, for Moscow caused much speculation in Japan. It was rumored he had gone to Moscow to make final arrangements for a Soviet-Chinese military agreement. Japanese correspondents also saw significance in the fact that the return of the Soviet Ambassador followed closely upon the visit of the French Ambassador P. Naggiar, to Hankow.

NANKING AND PEIPING

According to a report in the *Hsin Shun Pao*, Chinese-language Japanese paper, the Japanese are no longer pressing for the amalgamation of the puppet Nanking and Peiping regimes. Prince Konoye, Japanese premier, was quoted as having declared, "We should let nature take its course." Another spokesman suggested that the Chinese "might prefer two capitals."

After an enforced stay in Shanghai for nearly three months due to fear of guerillas, officials of the "Reformed" Government went to Nanking on June 22.

The *Hsin Shun Pao* urged the Nanking "Reformed" Government to take over the First Special District Court in the International Settlement. Lin Chi-hung, who was appointed by Nanking as "President" of the Court, but was unable to assume office may be appointed "Vice-Minister of Industry" at Nanking.

A new office, known as "Special District Office of the Education Department of the Ta Tao Government," has been established at the old building of the Shanghai Chinese Chamber of Commerce, with the object of assuming control over all educational institutions in the International Settlement and the French Concession.

Chen Hsi-tseng, former Commissioner of Public Safety in Shanghai, according to *Shanghai Nippo*, has secretly returned from Hankow to direct terrorist activities against traitorous Chinese elements.

ANNIVERSARY OF WAR

Authorities at Hankow have decided to designate July 7 as anniversary of the Campaign of Resistance. Memorial services for the war dead will be held on that day throughout the country.

Conscription was scheduled for enforcement in the Wuhan area, comprising Hankow, Hanyang and Wuchang, from July 1. Conscription was also ordered in Szechuen.

Abolition of the Wuhan Provisional Headquarters of the Generalissimo at the end of June was announced. The action followed transfer of Gen. Ho Chen-chun, director, to the post of President of the Military Court.

Japanese reports alleging that one Wu Shih-liao, a divisional commander, had surrendered to the Japanese, were denied in Hankow. There is no military officer of this name on the Chinese Army lists.

An impressive memorial service for victims of Japanese airbombings was held at Canton June 26. Gens. Yu Han-mou, Wu Te-chen and many other high officials were present. An address was delivered by Gen. Wu, urging the people of Kwangtung "not to shirk personal hardships and dangers for the general welfare of the state."

PEACE DELEGATE LEAVES

Edgar Ansel Mowrer, representative of the International Peace Campaign, after making a detailed inspection of various parts of interior China for several weeks departed from Yunnan for French Indo-China June 23 en route to Paris. "Well begun, half done," was Mr. Mowrer farewell message to the Chinese people.

Deep sympathy with the Chinese people's resistance against Japanese invasion was expessed by the American League of Social Justice in a cable to Madame Chiang Kai-shek. The message urged the Chinese people to carry on the campaign of resistance to its logical conclusion, adding that the ultimate victory undoubtedly will be China's.

JAPANESE PRINCESS DOWAGER VISITS WOUNDED IN FORMOSA

The decision of the Tokyo General Staff to send Princess Dowager Masako Takeda to Formosa to minister to the sick and wounded Japanese soldiers in the hospitals on the southern Japanese island has attracted attention again to the large numbers of Japanese soldiers now confined to hospitals not only in Japan proper, but in Korea and Formosa and on the China coast. Foreigners returning from Tsingtao state that hospitals and public buildings in that city are crowded with wounded men who are too ill to be moved to Japan, despite the fact several transports have been converted into hospital ships with facilities as modern as hospitals ashore. The Military hospitals in Dairen are also crowded, according to reports from that city.

A recent report from Peiping told of the arrival of more than 1,000 badly wounded men from the Shansi front and there is a constant procession of trucks arriving in Shanghai with sick and wounded from the Shanghai-Hangchow-Wuhu front. Hospitals in Shanghai, including recent extensions, are also said to be taxed to capacity.

It has been several months since the Japanese Army or Navy issued casualty lists, but occasional reports in the Japanese papers give some idea of losses. On June 21 the Army General Staff appointed a "War Wounded Board" consisting of five chief advisers, including Prince Iesato Tokugawa, representatives of the Army and Navy and Dr. Mataro Nagayo of Tokyo Imperial University. The board will be assisted by 15 counsellors and 17 members of a technical committee.

While the newspapers are prohibited from publishing casualty lists and no more pictures of hospital scenes are issued, they do occasionally issue reports of missing notables such as popular baseball players who have been killed. Army and Navy spokesmen seldom admit loss of Japanese planes, but the *Osaka Mainichi* on June 19 printed a fantastic story of an aviator, Capt. Kuboki, who landed his plane within the Chinese lines, in mountainous Shansi territory, and rescued the bodies of comrades who had been shot down by Chinese guns. It was the first information that the public had of a bomber being lost in that area.

Recently the Army 4th Division held a memorial service for soldiers killed in the China "incident" and the report in the *Mainichi* stated that it was attended by 5,000 members of bereaved families.

The *Mainichi* also printed a report of the serious wounding of Y. Kawasaki, assistant business manager of the paper who was shot through the knee while on a "foraging" expedition. Another member of the staff, Corporal Hiromu Iohara, a printer, was killed on the Shansi front sometime earlier. A report also was printed recently of the death of Lt. Com. Jiro Tokui, aviator, who had been missing since April 26. His plane was shot down by Chinese aviators in a fight 50 miles north of Hankow.

Two further newspapermen, Hisao Shimozu, a cameraman with *Domei* and Yujiro Wakatsuki, correspondent for the Tokyo daily *Yominri*, were killed at Anking. Neither *Domei* or the military spokesman here gave any details, but it was rumored that either a transport or a battleship, possibly the Idzumo, had been bombed or had struck a mine. The spokesman admitted a loss of 100 men. The cameraman was survived by his widow and a 2-year old son, residing in Yokohama.

ABEND DISPATCH ALLEGED EARLIER EFFORTS FOR SINO- SOVIET PACT

Hallett Abend, correspondent for the *New York Times* who was recently in Hongkong, sent a dispatch to *The Times* alleging that the Soviet Union had offered China a military alliance in 1935, but it was rejected on the advice of Gen. Chiang Kai-shek. Mr. Abend claimed that this was the cause of the resignation of Dr. W. W. Yen, who was then Ambassador to Moscow.

Mr. Abend, basing his information on "reliable Chinese authority at Hongkong," said that Sun Fo's recent trip to Moscow was for the purpose of reviving the proposed defensive alliance, but "Josef Stalin and other Kremlin leaders only gave non committal replies in view of the situation on the Soviet's European front." Mr. Abend stated further that Moscow had requested permission to establish a consulate at Lanchow, capital of Kansu, which city is on the overland route to Russia.

Mr. Abend's dispatch from Hongkong made a further allegation that the National Government at Hankow had offered to "restore" the old British Concession at Hankow to Great Britain "in an effort to throw another obstacle in the path of Japan's military campaign." Again quoting "Chinese informants" in Hongkong, Mr. Abend said that Britain had rejected the Chinese overtures, which allegedly "were designed to result in the restoration of British troops at Hankow."

NEWS FOR THOSE WHO LEFT THEIR VALUABLES IN SOOCHOW!

The Japanese paper, *The Soopao*, printed in the Chinese language in Soochow, published a notice stating that those who left boxes containing valuables at the Kiangsu Provincial Farmers Bank, prior to evacuation last fall, may now obtain them.

But it is not so simple as all that, for the owners of boxes containing valuables up to $3,000 must pay a fee of $50; from $3,000 to $10,000, a fee of $100 will be charged while boxes valued in excess of $10,000 will be charged for at the rate of $200. The notice was issued by the "Autonomous Committee," a Japanese puppet set-up.

Residents of Soochow, recently arrived in Shanghai stated that the boxes were removed from the strong room of the Chinese bank by the Japanese and stored with the Autonomous Committee. The Japanese first announced the boxes would be restored to their owners on June 1, but complications developed when the owners discovered that all jewelry, silver, gold and negotiable documents had been taken from the first boxes opened. Now it is alleged that the owners will only receive documents which could not be converted into cash.

The number of treasure-boxes in the possession of the puppet administration was stated to be between 200 and 300.

JAPANESE TERROR IS DISCLOSED IN TIMPERLEY'S BOOK

H. J. Timperley, China correspondent for the *Manchester Guardian*, is the author of a new book just announced for early publication by the London publishing house Victor Gollancz, Ltd. Copies of the Publisher's announcement, received in Shanghai this week, stated that the new book contained documentary evidence of Japanese atrocities—dramatic eye-witness accounts written and signed in pain and anguish by men and women who were, and in many cases still remain courageously, in the midst of the events they describe so vividly . . . . the book constitutes a damning indictment of war in general and, in particular, of the terrorism employed by the Japanese Army in its hitherto unsuccessful effort to reduce the Chinese nation to a state of cowed submission. Copies of the book will shortly be received in Hongkong and Shanghai.

JAPAN'S SEIZURE OF CHINA COAST ISLANDS AROUSES POWERS

THE Japanese Navy's contribution to Nippon's campaign of aggression, aside from aviation activities, has consisted largely of seizure of islands along the China coast. According to a list compiled by a correspondent in Hongkong, and cabled to the United States the following islands have been seized to the present:

1.—Sancien Island, also known as St. John Island, located opposite Toishan district of southern Kwangtung province.
2.—Siutsun Island, near Toishan.
3.—Shangchun Island, near Suitsun Island.
4.—Hopao Island, near Portugese Macao and Hongkong.
5.—Taishan Island, located southwest of British territory near Shum-Chun and Hongkong.
6.—Chikaki Island, near Toishan district of Kwangtung.
7.—Waichow Island, near Pakhoi off Kwangtung, west of Liuchow Peninsula.
8.—Pratas Reef, known as Pratas Shoal, off Hongkong, previously served as weather-reporting station for American Clipper planes.
9.—Quemoi, or Kimoi, about 20 miles east, and just outside Amoy Harbor.
10.—Amoy Island in Amoy Harbor, constituting part of Amoy city.
11.—Tsungming Island, in mouth of Yangtsze, east of Shanghai and mouth of Whangpoo at Woosung.
12.—Tunglientao and Hsilientao, two islands, located off-shore of Haichow, south of Shantung Peninsula.
13.—Namoa Island, located 35 miles northeast of Swatow on eastern Kwangtung coast.
14.*—Hainan Island, most important island off South China coast, about 250 miles southwest of Hongkong, and about 150 miles east of French Indo-China. Due to location on Gulf of Tongking, and route from Hongkong to French Indo-China and Singapore, Hainan is of vast strategic importance to British and French colonial interests.

All of the islands which the Japanese have seized are located along the Chinese coast and many are strategically important as they are situated outside important harbors, mouths of navigable streams, or are adjacent to main sea routes. Several are in close proximity to Hongkong and could be used as submarine or airplane bases to isolate the British Colony. One island, Quemoi, about 25 miles east of Amoy, is so located as to command the narrow Formosan Strait, one of the world's leading sea-routes. Since Japan already possesses an excellent naval base at Makung (or Mako) in the Pescadores Islands, off the southeastern coast of Formosa, directly opposite Quemoi, it puts the Japanese Navy in possession of the chief gate to the Eastern China and Yellow Seas to the North and the South China Sea along the southern China coast.

The wrecking of the palatial Dollar Line steamer President Hoover on an uncharted reef on the eastern coast of Formosa indicated the dangerous nature of the channel on the "outside" of the Japanese island.

World shipping must traverse the Formosan Strait which averages from 100 to 150 miles in width, but the distance between Quemoi and Makung is less than 100 miles and the Japanese Navy now commands both sides. Reports from Hongkong have alleged that the Japanese have already expended the sum of Yen 300,000 in constructing an aviation base on Quemoi Island.

Most of China's lighthouses and navigation guides along the China Coast previously controlled by the Customs Administration, were located on these islands, hence the control of these markers by a hostile alien power is a matter of serious international concern.

An inspection of the map of the southern Chinese coast and environs will indicate why the British and French became nervous when the Imperial Japanese Navy sent ships to the Hainan Strait and shelled the town of Hoihow, chief port of Hainan, which is located on the Strait, opposite the southern point of the Liuchow Peninsula which juts out from the southern coast of Kwangtung. Hainan Island and Piuchow Peninsula form a natural barrier for the Gulf of Tongking which washes the shores of French Indo-China. Hainan is also on the direct sea route and aviation route from the British Colony of Hongkong to French Indo-China and then on to Bangkok, Siam and the British Naval and Aviation base at Singapore.

The distances are significant: Hainan is about 250 miles southwest of Hongkong and about 150 miles east of French Indo-China. The island is about 185 miles long and 120 wide and has an area of about 13,900 square miles. It is rich agriculturally and in minerals. Mountains in the interior rise to 6000 feet. It is still largely undeveloped and the interior areas are inhabited by the Loi tribe of aborigines. In early days of Sino-Foreign contacts, Hainan served as a source of contract labor shipped to various parts of the world, particularly the North and South American west coasts and to Australia.

Most of the smaller islands along the coast which the Japanese have seized, were peopled by fishermen. It has been estimated that at least 100,000 have fled to the mainland since the Japanese occupation and blockade of the coast. In earlier days the fishermen, in off season, were not averse to engaging in piracy as a sideline.

Trade between these islands constituted life-blood for China's unique junk trade, but this trade also has dried up since the Japanese blockade. British sources at Hongkong have charged that the Japanese have shelled hundreds of these Chinese junks, destroying them and killing or drowning the occupants. The Japanese have denied these charges but foreign ships have picked up survivors clinging to bits of wreckage, who stated their junks had been shelled and sunk by Japanese warships.

On several occasions the official Japanese *Domei* service has referred to clashes between Japanese warships and "armed" junks. It is true that many of the junks operating along the southern Chinese coast in the vicinity of Hongkong carried a small, old-fashioned, smooth-bore cannon, about three feet long, which was used to frighten away pirates. That such weapons could menace a modern Japanese cruiser or destroyer was ridiculous.

Japan's attempt to break up the junk trade and her occupation of the coastal islands, aside from the strategical aspects, probably has an economic incentive in connection with Japan's plan to control China's extensive fisheries in future.

There has been no statement from official quarters as to Japan's intentions, excepting an unofficial declaration by a spokesman that the occupation was "temporary." Many observers, particularly those connected with countries possessing colonial interests in the South Seas, are convinced that Japan's seizure of the China coast islands, is a part of Nippon's long-contemplated "southern advance" in the direction of French Indo-China, Netherlands Indies, British Straits Settlements and American Philippines.

The British and French Governments have notified the Japanese authorities in Tokyo that they would regard Japan's occupation of Hainan Island "as calculated to give rise to undesirable complications." This statement, according to a *Reuter* report from London, was made by R. A. Butler, Under-secretary of State for Foreign Affairs, in reply to a query by Capt. Alan Graham, member of the Conservative Party, whether the French and British were cooperating "in any measures they might consider necessary in order to restrain Japanese armed forces from endangering the security of French Indo-China by the occupation of Hainan or adjacent islands. Mr. Butler stated further that "should any complications 'unfortunately' arise, the British and French Governments would doubtless afford each other such support as appears warranted by the circumstances."

**Not yet occupied.*

On Japanese Strategy*

BY EDGAR SNOW

IS JAPANESE strategy succeeding in attaining its objectives in China? A superficial estimate may return an unqualified affirmative.

Is not Japan still demonstrably superior on land, sea, and in the air? Does not Japan have 30 guns, 10 planes, for one of China's? A powerful navy, where China now has no fleet at all? Is not Japan economically intact, her industrial bases still secure, her war reserves increasing, the morale of her people and her army evidently as strong as ever?

Already the Japanese have destroyed or captured about three-fourths of China's modern industry, reduced China's foreign trade by nearly one-half, penetrated some 500,000 square miles of Chinese territory. Her navy now dominates all the shores of China. Her troops have swept from the Great Wall southward to the Yellow River, from Shanghai westward to the heart of the Yangtze Valley. Their ravages have extended to 10 provinces. They have seized and burned one national capital, and seem prepared to attack its successor.

Yet it is a paradox that the longer the slaughter endures the more doubtful the final issue becomes. The deeper Japan penetrates into the continent the more ominous grow the shadows of uncertainty over her future. The greater the number of battles she wins the more evident it is that this catastrophe cannot be understood in terms of fixed positional warfare and seiges of cities over periods of weeks and months only, but as a mortal agony involving two ways of life, a struggle of years between two mighty assertions of destiny, each determined to secure the hegemony of a continent and its half a billion men. And in that "longview" perspective the last decision will not rest with armaments alone, but with two key factors of Asiatic strategy—with *time* and with *space*.

To estimate Japan's success or failure since the outbreak of what Premier Prince Konoye calls the "China Incident" one must first comprehend the shape of her objectives. Fundamentally that is simple. It can no longer be doubted that Japan aspires to conquer all Asia, put the white races in retreat, and finally dominate the world. Preposterous? Incredible? We may think so. But after a decade in the Orient I have been convinced by the Japanese militarists on the spot—by their candid declarations and repeatedly by their actions—that this is the logic of their program. Moreover, they have also succeeded in convincing me that religious belief in the possibility of realizing the little project is for the regnant Japanese military mind the central fact of the Twentieth Century.

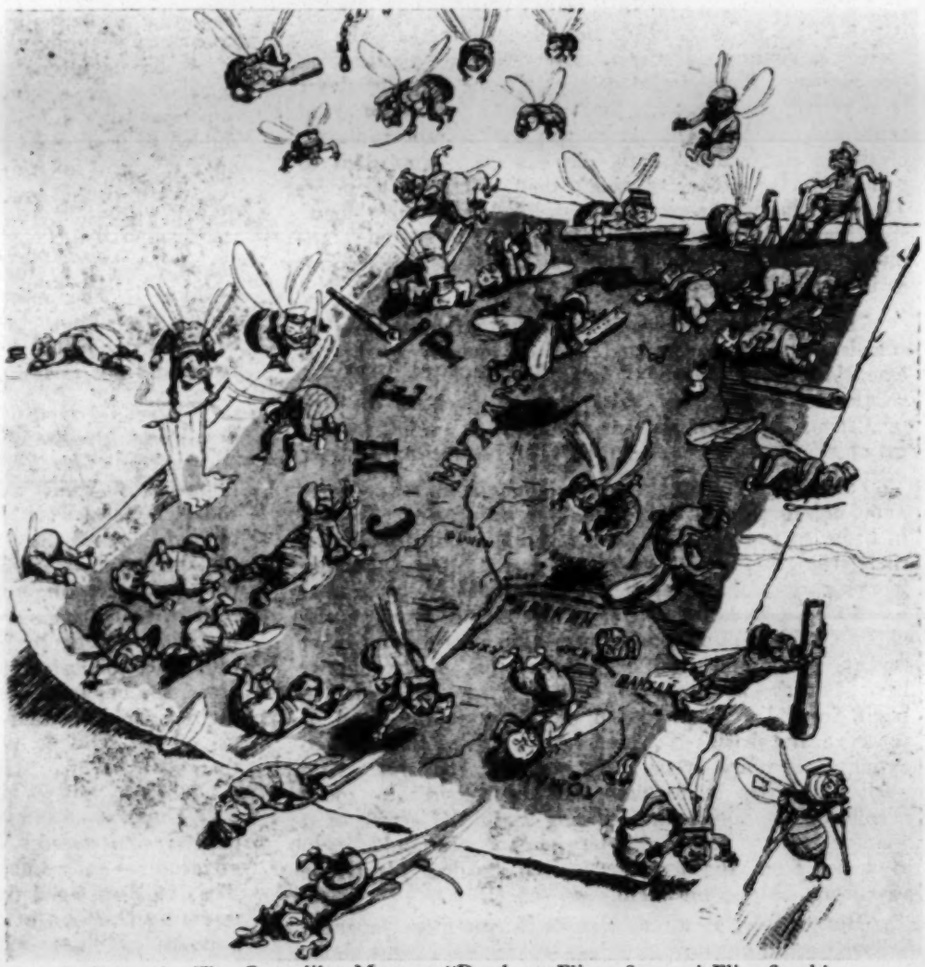
But everything by degrees. In the present period of aggression the military objectives are actual conquest of North China, Inner Mongolia, and part of China's Northwest—areas about three times the size of Japan proper—which Japan hopes to convert into colonies like Manchukuo, while in South China Japan would perhaps be satisfied just now with some arrangement for quasi-control, in form perhaps as protectorates or semi-protectorates.

Economically, serious Chinese industrial competition everywhere must be annihilated once and for all, as in Manchukuo. Japan wants a monopoly over China's natural resources and communications, her labor power and her markets.

Politically, the objetive has enlarged. All genuine sovereignty, "the Chiang Kai-shek *regime*" as Prince Konoye calls it, must be destroyed, and China's material and human resources must be reconstructed to facilitate conscription under Japanese leadership in future offensives against the great Western powers. This is Japan's dream of "pan-Asianism," "Sino-Japanese co-operation," and the "stabilization of Far Eastern peace."

That's all. Strategically, by these moves, the Japanese army hopes to militarize its frontiers from

DANGEROUS CHINESE FLY-PAPER



K. Rotov in The Crocodile, Moscow "Death to Flies—Samurai Flies Stuck!

*This article forms a chapter in a new edition of Edgar Snow's "Red Star Over China," to be published in America in August.

Korea far across the Mongolian plains to Central Asia, enveloping Russia's eastern and southern flanks with land barriers breaking all Sino-Russian contacts. And along the rich, heretofore undefended China seaboard the Japanese navy plans to build fortifications and naval bases completing its final command of the Western Pacific. Bases from which, once they are made, Japan cannot later on be dislodged without enormous sacrifices. Bases from which, Japan's naval jingoists foresee, they will eventually attack and destroy the last Occidental strongholds in the Southern Pacific—at the same time their land forces begin hammering at the threshholds of Europe.

However, it is certain that when Japan attacked in North China in July, 1937, she did not intend to bite off such a huge lump as she is now trying to masticate at one sitting. The betrayal of events alone committed her to a repast so enormous that she may yet expire from acute indigestion. Unable to win the prompt and conclusive victory anticipated, she has been compelled to penetrate into areas far wider than originally planned. Time gradually wrests the land initiative from Japan; and inevitably she becomes involved in spatial complications from which, as the war continues, she cannot easily extricate herself.

Because time and space—which in strategics may be translated as the protracted war of maneuver and the extension of its theater—are factors which in the correlation of forces must work ever stronger on the side of China, *quick decision* was the answer to all Japan's major problems at the beginning of hostilities.

She needed a quick decision first of all in order to avoid enlargement of the conflict into major war. Second, in order to prevent the Chinese people from discovering their strength in a united will to resist. Third, because it was necessary for Japan not only to enter this war as a first-class power, but to emerge from it still economically and politically solvent, and capable of meeting any other power, or combination of powers, that might oppose her. Fourth, in order to hold her foreign trade, to begin immediate exploitation of her conquests, and to preserve the basis of Chinese economy sufficiently to extract indemnity from it to pay for the war. And finally in order to forestall any insurrection or social revolution at home, by bringing back the fruits of a genuine victory before the Japanese people could begin to suffer from the terrific financial burden which the adventure fastens on them.

But already, as this is written, a war most Japanese believed could last no more than six months is now about to enter its second year, and the end is still remote. Because of her inability to limit the war in space and time, Japan has failed definitely to win the first two necessities listed above, and it is predictable that she will fail to win the third and fourth. If she loses in the last, Japan's Sun may not rise over a new empire but quite possibly set upon the wreckage of the one she once had.

Japan's fundamental mistake has been her failure to coordinate her military, political, and economic strategy; more especially her failure to adjust her military strategy to her political necessities in China, and internationally. From a purely military point of view most observers agree that Japan's strategy on the whole has been sound, in most instances well and even brilliantly executed, and reasonably successful in the attainment of its immediate objectives. But the great error has been this: that in developing its military strategy Japan destroyed the maneuvering ground for manipulation of an astute political strategy.

The Japanese militarists, who believed so confidently that they "understood China" and Chinese psychology, who long tended to regard all Occidental conceptions of China with contempt, have given a demonstration of almost unbelievable political adolescence in their failure to perceive the decisive role of political tactics in securing a judgment in Asiatic war. From a political standpoint they have conducted their campaign like novices, acting in almost complete ignorance of not just the contemporary political scene, but of all the peculiarities of the internal balance of forces in China, all the lessons of the past 20 years of change.

As a result Japan has lost nearly all the rich opportunities of internal class and regional antagonisms, rivalries and jealousies which were open to manipulation by an intelligent political strategy at the beginning of hostilities, and has been obliged to alter her military strategy, constantly changing its aims, increasing its difficulties, and enlarging its ultimate scope of defeat. If one were to select a single reason for the dilemma which faces the Japanese army today it might be said to be this: its total failure to appreciate even the lesson of Nanking's wars against the Chinese Communists in South China, its failure to profit from the strategem by which Chiang Kai-shek recovered the Soviet areas. The war against the Chinese Communists, the Generalissimo repeatedly stated, "was only three-tenths military but seven-tenths political." The political fraction in Japan's war against China was almost as great; but the Japanese General Staff has conducted its strategy almost as if the political factor did not exist.

Japan's principal mistakes in political strategy were based on a premise of great underestimation of the depth and spread of unity, morale, nationalism—and anti-Nipponism—which the Chinese people are manifesting today. She went to war against an enemy that no longer existed—against pre-nationalist-China. Heavily counting on the *automatic* influences of the forces of division, corruption, revolt, regionalism, and non-resistance, she took virtually no measures to sharpen these contradictions in China, but by her military conduct did everything to minimize their internal tension. Her expectations in error, she has been gravely disappointed in her hopes for the one thing necessary for an early triumph: the splitting up of the Chinese people into warring camps among themselves.

Thus, even in North China, her presumptions proved unfounded. Not one of the three northern governors—Sung Cheh-yuan, ruler of Hopei province, or Yen Hsi-shan, aged patriarch of Shansi, or Han Fu-chu, wavering chieftain of Shantung—turned over to become puppets. Millions in Japanese bribes paid into those provinces in the past were thus wasted. Japan had to conquer every foot of them, and is still at it. Weak as was the spirit of nationalism in the north it was enough to compel all important Chinese leaders in those regions to resist, and to resist with surprising vigor for men whom even many Chinese had feared would sell out their territories to the Japanese.

At Shanghai, and most of all at Nanking, Japan made her most serious miscalculations in economic and political strategy. It is now generally agreed that her invasion of the Yangtze Valley, especially Nanking, *coming when it did* was a major blunder in time. In my own opinion it may prove to have been one of the decisive errors of history. Its effects were quite the opposite of those desired. Japan hoped by that early annihilating blow at the industrial, financial and political heart of Central China, literally to "bring the Chinese to their knees." Instead, she brought them to their feet. The appalling earthquake with which she struck the lower Yangtze, the utter obliteration of the former economic bases of Chinese government—all those measures of terror and extremism by which, in creating a diversion that extended the conflict in space Japan reckoned thereby

to limit it in time—did not destroy resistance but immensely animated it.

By her plunder and murder at Shanghai and Nanking Japan accomplished something which she should have by all means tried to avoid. She brought economic ruin to those heretofore ruling groups in the Chinese Government who were objectively most opposed to war—the Shanghai "compradore bourgeosie," the bankers, industrialists, great land-owning families, and rich merchants concentrated in and around the foreign concessions of Shanghai, whose prosperity and economic future depended largely upon compromise with foreign imperialism. She thereby fatally undermined their decisive political voice in Nanking, which had always been in favor of compromise with Japan, and which remained, till the actual catastrophe at Nanking, objectively ready to trade North China for a few more years of blind security in the south.

With their elimination, the basis of political power in China began to shift rapidly to the younger and most nationalistic elements—elements which abjure hope of compromise, and regard the war as the setting of a prolonged struggle for independence, which can end only with the complete defeat of Japanese imperialism. Japan thus broke the power of those who had "everything to lose" by struggle, and transferred it to those who believe they have a nation—and some of them a world—to win.

All those regional antagonisms which Japan thought would automatically bring early internal break-up in China, rendering unified resistance impossible, were greatly minimized by her savage campaign in the central provinces. In China's capital-accumulating classes it destroyed the last illusions of their little dream world in which they had fondly imagined the possibility of coexistence with Japan. In China's petit-bourgeosie is broke down the last fantasies of compromise. Most serious of all, it diffused and scattered the political and economic forces at Nanking which dominated a policing power over the country absolutely indispensable to Japan for the enforcement of the terms of compromise following the attainment of her military objectives in the north.

Even in the recalcitrant Southwest, where powerful Generals Pai Chung-hsi and Li Tsung-jen for years ruled Kwangsi province independent of the Central Government, Japan's hopes proved illusory, her intrigue and bribery useless. Refusing to exploit the national crisis and make a putsch for power with the generously-offered Japanese help, Generals Pai and Li instead rushed troops to the north at the outbreak of hostilities, becoming at once a strong bulwark of Chinese resistance, alone sending 1,000,000 troops to war.

When, in May, the Japanese navy attacked Amoy and began diversionist operations on the South China coast, it was a worthy aid to the Japanese Army's strategy for the "decisive" battle at Hsuchow in the north, but politically it was another blunder exceeded only by the wholly unnecessary unrestricted bombing of Canton, which completed that city's alienation from Japan. These two acts quickly closed all the fissures in the political solidarity of north, central and south China. They eliminated the possibilities of a separatist movement in south China as thoroughly as the Yangtze invasion destroyed the margin of maneuver for a compromise with the anti-war elements at Nanking.

But greatest among Japanese disappointments was the absence of the expected conflict in the National Government between Communists and the Kuomintang. This also is traceable to Japan's deep invasion of the Yangtze Valley at the beginning of the war. As a result Generalissimo Chiang Kai-shek not only faithfully adhered to his United Front pact with the Communists, but he dispatched the former Red Army to the most critical positions on the northern front. Appearing with dramatic suddenness in Shansi Province, their Communist efforts proved costly far beyond Japanese expectations, and quite early began to have a decisive influence on the character and leadership of China's resistance.

Thus the Yamato-jin have been obliged to do all their conquering alone. Unable to make Chinese fight Chinese, they have so far been compelled to utilize in those political brothels quaintly known as puppet governments only human refuse without exception militarily and political impotent—scrap material long ago discarded by the Chinese people themselves. By unbridled frightfulness in areas under her occupation, by indiscriminate rape, looting and murder practiced on all classes of civilian China, especially by nation-wide bombing, Japan's militarists accellerated national consciousness and sublimated and in some cases literally erased class antagonisms that for so long divided the country. In a few months she shook the Chinese people into political and military unity that in the normal process of peace would not have occurred for another decade—unity, indeed, that would not have occurred even in war had Japanese strategy fought only a limited flank action in the north, and avoided its extension into a frontal attack on the entire country.

As a result of these costly mistakes in political strategy the actual Japanese military position is at this writing far less satisfactory than on the map it might appear to be. In practice they evidently do not rule a fourth of the "conquest" which they claim, and less than a fourth of its 150,000,000 population. What they have gained from the war to date, in real spoils, consists chiefly of the property and movable loot they have seized, control of the customs in Tientsin, Tsingtao and Shanghai, taxing power over some of the urban population, and the *de facto* right to bring Japanese goods duty-free into China.

Certainly not the least of Japan's misjudgemnts concerned the national consciousness and fighting tenacity of the Chinese peasant, who is everywhere both the regular and irregular soldier. Awakened from his centuries of slumber, given political guidance, armed, trained, and organized, he is proving to be a far deadlier fighting machine than Hirohito-san's generals had been led to believe. The latter had expected a certain amount of guerrilla fighting with the peasants of Shansi and Shensi, and more in Central China. But they never foresaw irregular warfare on the efficient scale now developing in the northern provinces, and in Inner Mongolia. And especially they failed to anticipate the speed and energy with which the Chinese Communists would enter the wings of the theater of war, activizing the people everywhere on the Japanese flanks and in their rear.

Most of all Japan's warlords failed to appreciate that to the Communists the prospect of Japanese *penetration* even of all China is not unduly alarming, but implies the gradual extension of mass revolutionary struggle on a continental scale. Headlines continue to be devoted to spectacular battles for possession of great cities and railways, but it is in the limitless hinterland that the stage is being set for a conflict on a scale as epic as any the world has yet seen. Between the rivers and mountains and in the plains and valleys of China, Japan will meet not simply a great army in uniform but a foe made up of a whole people, scores of millions of men, women, and children, who are being prepared to resist, for as many years as necessary, in a revolutionary crusade for their homes, their freedom and their future.

And it is to this movement of the people, the stirrings of revolutionary war across the immense landscape of rural China, that one must more and more turn one's attention in order to understand future developments.

Shanghai, June 24, 1938.

One Year of Sino-Japanese War—A Review

FIVE more days and the Sino-Japanese war will be one year old.

The crisis through which the country is passing is unprecedented in magnitude and gravity. In the course of the year, hostilities have spread over two-thirds of the country, thousands upon thousands of people have been killed, millions rendered homeless and helpless. Hundreds of cities have been reduced to ruins and extensive areas in the countryside depopulated and laid waste.

Against this background of slaughter, death, suffering and destruction, two important factors stand out prominently. First, despite a year's bitter fighting, China has not been disheartened and continues resistance. Second, the Japanese have so far completely failed to accomplish their objective—the destruction of the National Government or the Chinese Army or the spirit of the people.

Several major battles have been fought, but none has been decisive. The Japanese have occupied large sections of Chinese territory, but they are having a harrowing time in maintaining control. Even in the occupied areas, their authority scarcely extends beyond the range of their guns. Whatever gains the Japanese boast they have made, are negative because they have only accomplished destruction. They have injured China without benefiting themselves.

The Japanese are now making desperate attempts to capture Hankow, but even if they should capture the city, it will not end the war. China will develop new powers of resistance. The fall of Hankow—if that should eventuate—would certainly not mark the end of Chinese resistance, but would only result in the shifting of the scene of hostilities. By pushing further and further inland, Japan is sinking deeper and deeper. Some day, too late, Japan will be unable to extricate herself. That will be China's day of reckoning with her enemy.

HOW THE WAR STARTED

Hostilities between China and Japan had their origin in the so-called Lukouchiao Incident at Peiping on July 7, 1937. The Incident occurred at about 10 o'clock at night while Japanese soldiers were conducting "night maneuvers." Lukouchiao, better known as Marco Polo Bridge, is about 20 miles west of Peiping. Claiming one of their soldiers was missing and that "certain persons" had fled in the direction of Wanping (a walled town near Lukouchiao) after having fired at them, Japanese troops transformed their "night maneuvers" into genuine war by launching an attack on Wanping at about 4.30 in the morning after the Chinese garrison had refused them permission to enter the city to search for "certain persons." Chinese troops defending Wanping belonged to the 37th Division of the 29th Army under command of Gen. Feng Chi-an, who was concurrently Chairman of Hopei Province.

JAPAN'S NO. ONE PUPPET

Wang Keh-min, head of the "Provisional" Government which was set up by the Japanese Army in Peiping. The picture was taken while Wang was in Tokyo thanking the Japanese for assistance rendered.

As the old saying goes, the little spark started a vast conflagration. Thus a mysterious shot or possibly a mythical shot plunged China and Japan into a disastrous war which has extended over a full year. Whatever the circumstances of the alleged incident, China maintained that the Japanese had no right or business in holding maneuvers at Lukouchiao even in the daytime. In staging them at nignt they were deliberately looking for trouble as they were at Mukden on the night of September 18, 1931 when a mysterious explosion destroyed a fish-plate on the tracks of the South Manchuria Railway, just as another contingent of Japanese soldiers was holding "night maneuvers" in the vicinity.

Shortly after the incident occurred, efforts were made for a peaceful settlement between Chinese and

Japanese representatives at Peiping, but no satisfactory solution could be found. Hostilities were renewed and the Japanese army rushed troops from Tientsin to the Wanping area. Between July 8 and 14, further attempts were made to reach a peaceful settlement. On July 14, the situation become hopeless when Lt.-Gen. K. Katsuki, new Commander of the Japanese Forces in North China, announced he would "lead the Japanese Army to chastise the outrageous Chinese."

The days between July 14 and 24 were tense. While fighting continued spasmodically at isolated points, further efforts were made to seek a peaceful solution through mutual withdrawal of Chinese and Japanese troops from the danger zone. By July 15, five Japanese Divisions totalling about 100,000 men had been rushed to North China from Manchuria and trainloads of munitions and military supplies poured into Tientsin. On July 17, Gen. Chiang Kai-shek in a speech at Kuling laid down four minimun conditions as basis for settlement of the Incident. Most important was that any settlement must not infringe upon the territorial integrity of China. Gen. Chiang returned to Nanking by airplane on July 20.

Negotiations between Gen. Sung Cheh-yuan, Commander of the Chinese 29th Army and Chairman of the Hopei-Chahar Political Council, and Lt.-Gen. K. Katsuki, Japanese Commander failed completely as the Japanese military authorities insisted on a "local settlement" to their sole satisfaction and non-interference by Nanking. Terms of the so-called "local settlement" involved evacuation of Chinese troops from Peiping, elimination of officials and civilians allegedly unfriendly to Japan, suppression of Communists, control of anti-Japanese organizations and anti-Japanese education. While these negotiations were taking place, eight further Japanese divisions were ordered to China from Manchuria.

On July 25 the situation took a further turn for the worse and it was generally realized that large scale hostilities in North China were in prospect. In the name of the Japanese Imperial Army, Lt.-Gen. K. Katsuki issued an ultimatum to General Sung Cheh-yuan, demanding the withdrawal of the 37th Division from Peiping and vicinity within 48 hours. Meanwhile, a clash between Chinese and Japanese troops at Lanfang, on Peiping-Tientsin Railway, had widened the scope of hostilities and dashed all hopes for further peace talk. The Japanese then brought into use bombing planes against Chinese troops.

On July 27, Gen. Sung Cheh-yuan, supreme Chinese Commander in North China, decided to reject the Japanese ultimatum and severe hostilities followed. The Japanese army started large-scale operations at once. Fighting broke out both in the Peiping area and at Tientsin. Gen. Sung Cheh-yuan and other leaders of the 29th Army withdrew from the ancient capital for Paoting, followed by the withdrawal of the 29th Army on the night of July 28.

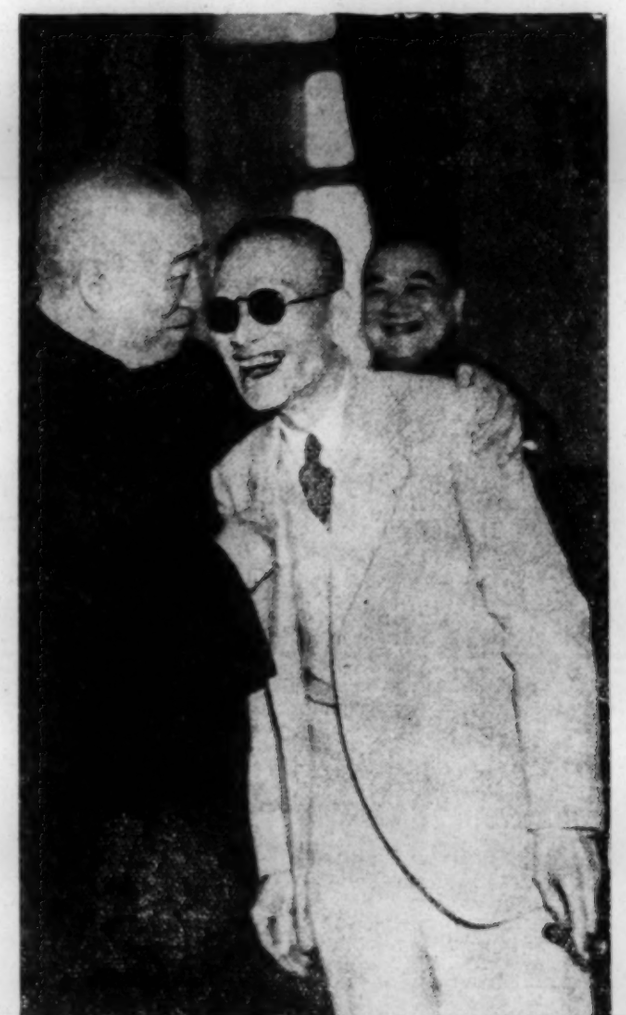
The fall of Peiping and Japanese occupation of Tientsin (July 30) marked the first phase of the war in North China. It then rapidly extended to the Peiping-Hankow, Peiping-Suiyuan and Tientsin-Pukow Railways. On the Ping-Han line, Paoting, provincial capital of Hopei, was the chief objective of attack, while fierce fighting broke out at Nankow, strategic pass on the Ping-Sui Line. Along the Tsin-Pu Railway, the Japanese pushed south toward Chinghai, first important station south of Tientsin. On August 24, the Japanese claimed the capture of Nankow Pass, northwest of Peiping and toward the end of the month, they advanced beyond Machang on the Tientsin-Pukow Line.

As the war spread over wide areas in the North, tension rapidly mounted in the South. The order for a general evacuation of all Japanese nationals from all coastal and interior cities early in August presaged extension of hostilities in Central and South China. The fall of Peiping and Tientsin caused serious repercusions in Shanghai. Sudden concentration of Japanese warships from the Upper Yangtsze in and around Shanghai greatly aggravated the situation.

STARTS AT SHANGHAI

Whether by accident or design, the needed pretext for starting hostilities in Shanghai was provided.

PUPPET LEADERS CONFER



Wang Keh-min (dark glasses) head of the Peiping "Provisional" Government, confers with Liang Hung-chih, head of the puppet administration set-up by the Japanese army in Nanking and know as the "Renovation" Government of China.

On the afternoon of August 9, two Japanese naval officers, Isao Ohyama and Yozo Saito, armed with a service revolver, drove in an automobile to the Hungjao Road area and allegedly attempted to drive into the compound of the Chinese Military Airdrome there. They were challenged by a Chinese sentry on guard at the entrance of the airdrome, whereupon they fired on the guard and killed him. The Chinese *Pao An Tui* (Peace Preservation Corps,) hearing the shots, rushed to the scene and exchanged fire with the two Japanese, resulting in the killing of both near the Airdrome.

Immediately after the incident, the Chinese authorities offered to settle it by pacific means, but their offer was rejected. The situation quickly took a grave turn when a Japanese naval squadron arrived with large

reinforcements for the Japanese naval forces already in Shanghai. Landing of Japanese reinforcements and munitions at wharves in Yangtszepoo district alarmed the local Chinese population and precipitated a wide-spread panic in that area.

At the request of the Japanese Consul-General, a meeting of the International Commission for the Enforcement of the Peace Agreement of 1932 was held on August 12, at which both the Japanese Consul-General, Mr. Okamoto, and the Chinese Mayor O. K. Yui, charged each other with violation of the Agreement. The meeting ended in a mutual pledge that each party should refrain from attacking the other. On the same day, in view of the war-like preparations of the Japanese, two Divisions of Chinese National Troops were rushed to Shanghai to take up defence positions in the Chapei-Kiangwan area. The Ministry of Foreign Affairs at Nanking issued a statement that China would act in self-defence by resisting Japanese aggression and violence.

By morning of August 13, after all-night preparations on the part of both Chinese and Japanese forces a second Shanghai war became inevitable. At about 9.30 a.m., firing started at several points in Chapei. The war in the Shanghai area lasted for three months, to the surprise of the world and consequent exasperation of the Japanese. In the early stages of the fighting, Chinese forces on several occasions appeared to have won the upper hand. But the subsequent arrival of large numbers of Japanese troops and the full exploitation of the technical superiority of their equipment plus the advantage of their fleet spread out along the shore, offset China's superiority in numbers.

For three months, the Chinese forces successfully withstood Japanese attacks, despite deadly artillery shelling and aerial bombardments. The hostilities resulted in enormous casualties on both sides and took a heavy toll of civilian lives. Chapei, Kiangwan, and other areas under the jurisdiction of the Greater Shanghai Municipal Government were practically levelled to the ground; not one building was left intact.

While the war was raging hot in Shanghai, it steadily spread into all the coastal provinces. On August 15, Japanese airbombers raided Nanking, Hangchow (Chekiang), Kwangteh (Anhwei) and Nanchang (Kiangsi). The beginning of September found the hostilities extending to many cities in South China, including Amoy, Swatow, and Canton. Fighting in these areas was mainly confined to Japanese naval and aerial attacks.

In North China, the fall of Nankow Pass and the subsequent occupation of Kalgan, Chahar Capital, resulted in a virtual collapse of the China defence on the Peiping-Suiyuan Railway. The Japanese made rapid advance along line and by Sept 13, claimed Tatung, gateway to northern Shansi. Since then, they have penetrated deeper and deeper into the province. On the Ping-Han Line, Paoting, capital of Hopel, fell on Sept, 24. At about the same time, Chinese troops on the Tisn-Pu Line evacuated Tsangchw and withdrew towards Shantung.

During September, Nanking was subjected to repeated airbombing by Japanese planes, at times numbering over 100. Despite the Japanese threat to destroy Nanking by aerial bombardments, Gen. Chiang Kai-shek remaided in the capital. Gen Chiang told foreign press correspondents that Japanese airbombings of Nanking would not affect the Chinese military situation, but would only give the Chinese people and the peoples of the world a fuller realization of Japanese barbarism. Japanese aerial operations covered anxtensive areas; among many other cities, Canton was also severely bombed, causing appalling civilian casualties.

Month of October witnessed important developments on all fronts. The military situation in Shanghai took a serious turn with the capture of Tazang and Miaohang, strategic villages protecting Chapei and

(Continued on page 163)

NANKING'S "REFORMED," OR "RENOVATION" GOVERNMENT

Cheering for their benefactors, the Imperial Japanese Army.

Recent picture of the officials of the Chinese administration which the Japanese military authorities have established in Nanking and which they now designate as the "Renovation" Government in China. Despite statements that they intend to amalgamate the Nanking and Peiping puppet regimes into one "central" administration, there is much evidence that the Japanese military authorities intend to maintain both regimes and to create more puppet administrations.

How Major-General Ishiharada Blundered in Plotting An "Impressive Three Months War"

TO THE thunder of explosions and agonized cries of maimed combatants and civilians echoing throughout a half of China, the Sino-Japanese hostilities will next Thursday night enter their second year.

With China's richest provinces laid waste by the invader, with millions of soldiers dead and injured, with 50,000,000 non-combatants driven from their homes, with the economic structures of both nations strained to a dangerous point, the war on that day will apparently be no nearer end than it was a year earlier.

The Japanese military machine, it is true, has crushed its poorly equipped but courageous opponents in a thousand victories. Japanese sabers today rattle in China's most important cities, from the Great Wall to the coast of Fukien. At least three puppet regimes are functioning in different parts of the country, under the protection of Japanese bayonets and with the aid of Japanese funds.

But all these victories and achievements have been costly failures, for they have failed in their main object, —weakening of China's will to resist aggression.

This has perhaps been the most tragic of the long series of the errors and miscalculations made by the General Staff in Tokyo and the guiding clique of the Kwantung Army in Changchun.

When Tokyo formally decided on July 11, 1937, to magnify an insignificant incident into an excuse for invasion of North China, it did not expect the affair to last more than three months.

The plans drawn by Major-Gen. Ishiharada, the "evil genius" of the General Staff, provided for an impressive military demonstration in North China, as the result of which the northern warlords, with the tacit acquiescence of the Central Government, were to accede to all political, military and economic demands of victorious Japan.

It was thought entirely improbable that the Central Government would accept the challenge and fight for the territorial and political integrity of an area, in which its authority was seldom recognized by the Japanese-backed military chieftains.

Ishiharada and his aides, however, misjudged the strength of the pressure exerted upon the Central Government and Gen. Chiang Kai-shek by the aroused population. Gen. Chiang could not ignore a new major-scale attempt to gobble up new portions of China without seriously prejudicing his position as the nation's Chief Executive.

Thus, when China decided to resist aggression she shattered one of the illusions entertained by the Tokyo generals. But the shock was made a thousand-fold more painful when Gen. Chiang decided to fight in the Shanghai area.

The basic principle of the Japanese military strategy was to confine the hostilities to a narrow area in North China and to end the war with one powerful blow. By opening hostilities in Shanghai, Gen. Chiang forced the Japanese to extend their lines of offense and to transform a localized battle into a major war.

In this he had the ready concurrence of the Japanese Navy, which could not permit the Army to reap all the benefits that the Fighting Services usually derive from war. The history of modern Japan cannot be understood without realizing this constant rivalry between generals and admirals. Whatever were the Army's desires on the matter, the Navy was not prepared to sit idle and let its rival have a monopoly of public attention and moneys. This accounts for the Shanghai episode of this sanguinary war.

When the main battlefield was shifted to the Shanghai area, surprises fell upon the General Staff in quick succession. The Chinese soldier amazed Tokyo,—and the entire world,—by his courage, capacity to absorb punishment and indifference to pain and privations.

When the Chinese troops finally retreated from immediate proximity to Shanghai,—at the cost of 80,000 casualties to Japan,—and rolled back towards Nanking, Tokyo confidently decided that peace would come with the fall of the Capital. Gen. Chiang was thought to be anxious to end the war at the first opportunity,—and what could be a better opportunity than the loss of his Capital?

Therefore, when the Japanese troops entered Nanking, and engaged in an orgy of looting and rapine, the Japanese command suspended the hostilities for a month, to give the Central Government a chance to seek peace. But Gen. Chiang, instead, took advantage of the respite to rebuild his battered troops and to deploy them along new lines of defense.

After waiting in vain for more than a month, disappointed Tokyo announced on January 16 that it would no longer "deal" with the Central Government. Hostilities were then resumed in North China.

The next surprise had its birth in the rugged mountains of Shansi. After crossing the province from Tatung to the Yellow River in the record time of four weeks, the Japanese discovered that they could occupy any town at will, but to hold and control a region or a province they could not.

The Eighth Route Army, having as its nucleus the survivors of the famous "long march" from Juikin, Kiangsi, to Yennan, Shensi, showed that their methods of guerilla warfare were nearly as effective against the highly vaunted Japanese juggernaut as against the Central troops a few years earlier.

It was at this juncture that Tokyo first became painfully aware of the tremendous menace of the guerilla operations to its plans for the occupation and peaceful exploitation of China.

In the little, fortified town of Taierchwang, the Japanese Army had its next surprise,—and its first serious defeat. With 7,000 Japanese soldiers dead and three times that number wounded, Tokyo found itself compelled to evacuate Shansi and to send fresh troops from Japan and Manchuria to break through the Chinese Hindenburg Line northeast of Hsuchow.

The flood in the Chengchow-Kaifeng area was the last severe shock to the Tokyo General Staff, now seriously alarmed over the outcome of the war it thought it could win in three months. If the Taierchwang defeat was followed by a major reshuffle within the Cabinet, the floods (and the consequent realization that the end of the war was not in sight) compelled what *Domei* delightfully described as a "belt-tightening" campaign in Japan.

Fed with glorious recitals of spectacular victories in the first 12 months of the war, the Japanese people are urged,—nay, forced,—today to mix alcohol with their gasoline; put tough fiber in their soft Australian wool; give up foreign magazines, singers, fashions and little luxuries; cut down their already meager diet; curtail their operations, if they manufacture goods destined for consumption instead of destruction; and accept a thousand-and-one other restrictions on virtually every type of human activity.

With every available sen going into the production or importation of munitions, the imports and manufacture of raw materials needed for the export trade have been drastically slashed. As a result, Japan is

steadily and rapidly losing her hard-won markets throughout the world.

The need for foreign exchange has led the Government to restrict severely the exports of textiles and similar goods to China,—whose currency cannot be used for the purchase of munitions abroad. Japan's exporters are thus placed in a vicious circle, out of which (because of Nippon's scant reserves of gold) there seems to be no exit.

The Japanese farmer, over-burdened with debt and never prosperous,—is today on the brink of starvation. His horses have been taken to China. His sons, when they have not been mobilized, have gone to the more remunerative munition factories in the cities. With the prices soaring by the hour, the farmer finds he cannot buy even the limited amount of necessities he used to purchase before the generals decided to go to war.

Japan's economic woes could be recited by the hour. It is only because the Government is fully, and painfully, aware of the dangerous strain placed on the nation's economy by the war, that it has embarked on the path of a thorough regimentation of human and material resources. The Government has already broken its pledge of last March not to invoke the stringent provisions of the super-Nazi National Mobilization Bill, which gives the Army-controlled Cabinet iron-bound authority over the life and economic pursuits of every man, woman and child.

What is not yet generally realized is that Nippon's troubles are bound to be multiplied in geometric progression as soon as she reaches the bottom of her slender specie reserves. When that, not very distant, moment arrives, Japan will be unable to buy the steel, iron, copper, rubber and a score of other elements of war she requires to continue the hostilities. Then she will probably embark on the path of inflation and presumably try new military adventures.

The most tragic feature of the current war,—from the point of view of Major-Gen. Ishiharada,—is the fact that it weakens Japan's capacity to grapple with Russia, —the "holy war," of which Japanese generals dream and talk, and to which the China campaign was to be but a prelude.

This is, however, not to say that China has escaped unscathed. Thus far, she has been by far the heavier loser, for the war has been fought on her soil. Conservatively, the country's losses could be put at U.S.$1,500,000,000, in addition to $800,000,000 lost by foreign interests.

While the Central Government still exercises control over the greater part of the nation, the Japanese Army garrisons an area including China's most important industries, ports, trading centers and railways.

Chinese losses include the enormous industrial property in Shanghai, either destroyed or confiscated by the Japanese. The latter have also taken or destroyed 6,000 klms. of railways, 60 per cent of the country's coal and iron mines; almost the entire textile, silk, flour, tobbaco and cement industries, the best schools and universities and most of the merchant marine.

The damages cannot be computed in cold figures. Included in the losses must be misery, suffering, pain and destruction which defy arithmetical calculation. How, for instance, is it possible to compute the value of losses sustained by the 50,000,000 people participating in the unprecedented westward migration? Or the monetary worth of the million men killed and maimed by Japanese bombs and bullets.

But the war, however tragic and costly, has not been without its great, although intangible, benefits. The most important of these was the appearance of unprecedented and apparently permanent national unity and consciousness. Defeated and driven back into the interior, the Central Government today enjoys greater prestige and authority than ever before in its eleven-year history. This makes it certain that whatever number of puppet regimes is brought into existence by the Japanese Army, the invaders will not enjoy peace which they must have if they are to reap the fruits of their conquest.

Another benefit was the westward movement of population, capital and industry. Now, the backward provinces in the west will enjoy rapid economic, cultural and political development that once was the monopoly of the littoral areas.

As she continues to fight the Japanese war machine, China's great despair is that she cannot hope for a positive victory. Her strategy is built on the premise that Japan's economy and morale cannot withstand the strain of prolonged hostilities. Therefore, whatever the cost in her own exhaustion, China must patiently continue to fight until her foe abandons the struggle.

Japan's Rising Resentment Against War

IN THE June issue of the New York magazine, China Today, increasing examples of a rising resentment among the Japanese soldiers against the war is cited. In the port of Osaka recently, the magazine says, 7,000 Japanese soldiers mutinied, refusing to leave for the front, shouting "Down with aggression and the militarists!" Leaflets are found on the corpses of Japanese soldiers, proclaiming, "For the well-being of our nation, we must rise against the robber war."

These anti-war sentiments are not confined to any given "unreliable" unit but prevail throughout the army. From Tsinan and Tientsin in the North and from Shanghai in the South reports are received of the constant arrival of Japanese soldiers in these ports, conducted under armed escort and accused of refusal to carry on military service.

In the arrest of four Japanese in Shanghai, it was revealed that twenty members of the Japanese Anti-War League had arrived in that city to carry out anti-war propaganda among the troops.

Oppose Japanese Aggression—Mr. and Mrs. Watarn Kaji, Japanese communists, who reside in Hankow and are assisting the Chinese authorities in opposing Japanese aggression.

One of the arrested disclosed that in Sunkiang, south of Shanghai, several scores of Japanese soldiers had signed an agreement among themselves, pledging that they will all commit suicide as a protest against the war the moment they receive order to depart for the front. On May 20th, the report arrived that fourteen soldiers committed suicide at the beginning of the month at Nantao, outside Shanghai. They left a letter which said, in part, "We don't want to fight against you Chinese. We are forced to do this."

The Japanese workers and peasants, and these comprise the Japanese army, have no interest in this war of aggression waged by the Japanese militarists against the Chinese people. Some of them have become the dupes of their fascist leaders, unquestioningly do their bidding and become brutalized in the process. But as the evidences of opposition to the war indicate, there is a deep undercurrent of animosity against the militarists, which will not be stifled nor diverted by the inspired sadistic debauches of a conquering army. A new consciousness is arising among the soldiers which will grow in power as the war is prolonged. Then we can confidently expect, not the horrors of another Nanking, but an organized expression of their anger at the fascist military clique which has led them into disaster, the magazine concludes.

Yangtsze Battle Costly to Japanese Navy

THIS week's Battle for Matang, strategic little village situated at the foot of the boom blockading the Yangtsze River, and the stumbling block to Japan's drive on Hankow, was proving a a costly affair for the Japanese navy. As Japan's men-of-war concentrated above Anking, working feverishly to smash the boom, China's bombers took to the air and in a series of lightening-like raids from June 24 to June 28, rained tons of bombs upon warships and transports. After five days of harrassing the Japanese, during which time their anti-aircraft batteries and air force proved incapable of halting Chinese raids, China claimed that it had sunk four warships, destroyed four by fire and damaged three others by direct hits with bombs. Japan denied these losses. On June 25, the most disastrous day for Japan when two gunboats were claimed to have been sunk and two transports set ablaze, the Chinese air force also laid claim to bombing the Japanese airdrome at Wuhu, destroying five planes on the ground. The following day, the Chinese planes raided Anking, and it was here that China offered in evidence a hero whose act could not be dimmed by any of the fantastic exploits of Japan's Bushido-infused warriors. Hankow claimed that when the two planes appeared over Anking, they were challenged by three Japanese seaplanes. One of the Chinese planes escaped unscathed, but the other was hit by numerous machine-gun bullets. The gasoline tank of the ill-fated Chinese airplane was also hit and immediately caught fire. The pilot of this machine, had he so chosen, could have landed in safety by his parachute, Chinese say. Instead of abandoning his machine, however, he picked out a huge Japanese gunboat on the Yangtsze as his target, and plunged his damaged machine headlong onto the deck of the Japanese gunboat. At the terrific impact, all the bombs carried by the airplane exploded and sent the gunboat to the bottom of the Yangtsze in a few minutes.

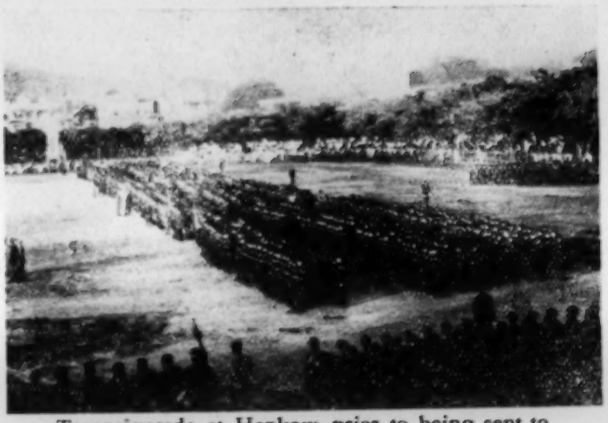
But the battle for Matang is a fierce one, and as China mobilized every available aircraft in the Yangtsze Valley, including heavy and light bombers and pursuit planes to stave off Nippon's drive, the Japanese pressed on, and on June 28 they had captured one of the several forts guarding the boom. China immediately ordered an offensive to recapture it. However, despite the fact that the level of the Yangtsze is rising, facilitating the passing of the boom for ships of small draught, the boom in conjunction with floating mines and land batteries is constituting a powerful obstacle to the passage of vessels of bigger tonnage. Under these circumstances, *Reuters* reports, the possibility is envisaged of the Japanese seeking to advance on Hankow by way of Nanchang. Although this would be a round-about way, it would present considerable advantages in view of the partial flooding of the Yangtsze valley. It is pointed out that should the Japanese be able to capture Nanchang, they would be in the favorable position to advance westwards on the important railway junction of Changsha and thus cut the railway communictaion between Hankow and Canton.

Guerillas Still Harrass Japanese

Guerillas continued to harrass the Japanese, and on June 28, 40 Japanese out of a detachment of 200 were killed when ambushed near Wanchih, in southeastern Anhwei; in northern Anhwei, the Japanese garrison at Takoyai was routed and tracks of the Tientsin-Pukow Railway were destroyed; at Siaoshan, they cut the Soochow-Kashing Railway and destroyed three kilometers of Japanese military telephone wires. Later, another band of guerillas destroyed seven bridges on the Soochow-Kashing highway.

The danger of a large-scale war being shifted to South China increased this week as 2,000 Japanese marines are reported to have landed at Yuiping, near Chaochowfu, on the Kwangtung-Fukien border. Chinese officials, however, believe that the Japanese do not intend to begin a serious thrust towards Canton, and state that the landing was staged to "prevent further departures of Chinese troops to the north."

Concentration of Japanese warcraft on the Yangtsze at Anking. Picture taken June 17.



Troops parade at Hankow, prior to being sent to defense positions.

After giving the Canton area relief from bombing for more than a week, some 30 Japanese planes are reported to have raided the southern section of the Canton-Hankow Railway June 24. The raiders are said to have damaged railway stations and tracks, causing the death of about 50 villagers. The same day Japanese planes carried the war to the border of Indo-China, bombing Tunghing, border town between Kwangtung Province and Indo-China on the Gulf of Tonkin. The town is described as a key point for water and overland routes for transportation of arms and ammunition from Indo-China into China.

Namoa Island Captured

Capture of Namoa Island, outside Swatow, on June 23, was announced in Shanghai the following day. Landing on June 21, the Japanese forces are said to have taken the Chinese by surprise, plunging the defenders into confusion. Japanese say the occupation was completed two days later without "a single casualty."

The threat of the Japanese to cross the Yellow River in northwestern Honan west of Chengchow is the latest development in the Honan war situation, according to Chinese. The area north of the Yellow River is now said to resemble an armed camp, with Japanese troops pouring into Ponai and Sinyang, on the western terminus of the Taoching Railway. It is claimed that the Chinese on June 27 recaptured Tsiyuan, on the north bank of the Yellow River opposite Loyang.

Report says Trautmann Recalled

Stern German action against the Nationalist regime in China in the event that the German military advisers are detained in Hankow after June 28 was forecast in an *Associated Press* dispatch to New York from the Yangtsze city. Strong representations by the Berlin authorities, culminating in the recall of Dr. Oscar Trautmann, Germany envoy, preceded this development, the dispatch bated June 25 said. The report had been "delayed" in transmission according to the version published here.

"Gen. Chiang Kai-shek's reluctance to allow the departure of German advisers has resulted in strong representations from the Berlin Government, including the recall of Dr. Oscar Trautmann. Dr. H. Lautenschlager has been left as the head of the Embassy," the *Associated Press* dispatch read. "It is believed," the report continued, "that even more stern action will follow if the Chinese do not allow Gen. Baron Alexander von Falkenhausen and the other military advisers to board the International Train scheduled to leave for Hongkong June 28. It is learned that at the farewell meeting for Dr. Trautmann, Gen. Chiang Kai-shek finally agreed to have the Germans discontinue their advisory duties but Gen. Chiang Kai-shek definitely reserved the right when and how to permit the Germans could depart from China."

A report from Hankow said the Germans did not leave.

German Dies in Nanking

Paul Scharffenberg, 64-years of age, Chief Chancellor of the German Embassy in Nanking, died suddenly of ptomain poisoning, following a dinner in Nanking which was given by the Japanese authorities. Mr. Scharffenberg had served in China for 35 years and was due to retire at the end of the present month. His sudden death created a sensation in Nanking as other foreign diplomats, including the American Charge d'Affaires, John M. Allison, had also attended the dinner. Mr. Scharffenberg's body was brought to Shanghai for a post-mortem analysis, but the German authorities here declined to issue a statement on the subject.

Japan's Hopes for Quick Victory Fade

JAPAN, apparently, is beginning to change her mind on the duration of the war in China. What at first started out to be at the most a six-month campaign, now has lengthened into one year, and on June 26 in Kyoto, War Minister Itagaki told newsmen that "Japan is prepared to carry on hostilities in China for 10 years if they should last that long." He also said that "there is a possibility that Chiang Kai-shek may attempt resistance for the rest of his life; in such an event we must be ready to carry on the fight."

The veteran soldier said that in the case of prolonged hostilities the system of national mobilization in both material and spiritual life, as hitherto adopted, may not be sufficient. "As for supplies of military materials, the concerted efforts of the entire nation can, I believe, cope with a protracted conflict, however long it may be" he said.

"There seems to be some talk about a declaration of war, but the statement issued on Jan. 16 makes a declaration of war un necessary under the present circumstances, I think. But it is a question worthy of study."

Lieut.-Gen. Itagaki was in Kyoto to visit wounded soldiers and investigate measures being carried out for the relief of the disabled men and families of those slain in action. "Despite various

MOUNTAINS AND MORE MOUNTAINS

Shanghai Evening Post

conflicting rumors," the War Minister declared, "the Chinese resistance may continue for a long time. It goes without saying that the Japanese military operations can continue ever so long, and the officers and men at the fronts are indeed doing justice to the traditions of Japanese fighting ability.

Best Efforts Needed

"To support the men at the front the people at home should put forth their best efforts. Indeed, the key to our victory in the hostilities can be found in co-operation between those at the front and those at the rear. The people in general should appreciate the real intentions of the Government concerning the plan for national mobilization of commodities announced on June 23, and should not allow any misunderstanding to crop up in regard to the control of consumption.

"The invocation of the national mobilization law is a question worthy of close study. Subject to the technical investigation of it on the part of experts in this field, there is a possibility of the law being put into effect; but for the present there has been no formal decision on this subject. The chief purpose of the conferences of five Ministers of the Cabinet is to discuss important problems so we can adapt our measures to the changes in the situation which have ensued since the conference held on Jan. 11 in the Imperial pressence. Proposals presented by the Cabinet Ministers should be aimed at bringing about a complete settlement of the current incident as early as possible."

Tani Sees Long Resistance

Then, on the same day in Tokyo, Masayuki Tani, Japanese Minister at Large, gave further evidence that Japan may expect prolonged resistance from China. Tani said that the Kuomintang and Communist parties, under Generalissimo Chiang Kai-shek, will not split at an early date. He said he believed China, under the Kuomintang Party, was determined to continue the China war to the bitter end. He said the Kuomintang Party was leading the present war against Japan to preserve the personal interests of Generalissimo Chiang Kai-shek and his family, including the Soongs.

Tani declared he believed that even in Hankow, the influence of Gen. Chiang had declined recently. He said "loyal Chinese" soon would support the Peiping and Nanking reformed regimes. Such support, he said, would hasten the return of peace and permit Japan to increase her efforts to protect foreign interests in China. Japan's roving minister also declared that rapid developments in the military situation since the capture of Hsuchow have impressed third power nationals and given them a fuller understanding of Japan's ability. Even the diplomatic corps was surprised, he said, by the speedy progress of Japanese operations up the Yangtsze and the occupation of Anking.

Before the fall of Hsuchow foreigners as well as Chinese were "bewildered by the Nationalist Government's wild reports, but the situation changed following the occupation of Hsuchow and the subsequent Japanese advance on the Lunghai Railway," Tani declared.

The principal object of the recent hurried trip to Hankow of foreign Ambassadors, Tani stated, "may be regarded as a desire to re-examine the general situation and the actual strength of the Hankow Government. "The campaign for protracted resistance by the Hankow Government," Tani declared, "has gradually come to be justly regarded by the Chinese people themselves as a policy designed for the self-preservation of Chiang Kai-shek and his group. Once Hankow falls those Chinese politicians who are sincerely thinking of the future of the state and the welfare of the people will hurry to oppose the Chiang regime in order to assist the new administration."

Shanghai Municipal Council

Referring to conditions in Shanghai, Tani said that "with a gradual understanding of the actual state of affairs by the Shanghai Municipal Council authorities the International Settlement administrative machinery will be steadily improved." He said the assumption of office by Mr. Chika-yuki Akagi as Special Deputy Commissioner of the Shanghai Municipal Police had caused satisfaction in the Japanese community.

Turning to international affairs, the Minister-at-Large said that the "Far Eastern atmosphere will be clarified and various problems settled smoothly when it is understood that the real intention of the Japanese Government is to protect, far from infringing, rights of third Powers."

War-Time Regulations

Undenial evidence that Japan no longer considers the conflict as an "incident," but a genuine war, was given on June 23 when virtual war-time regulations designed to make the most effective use of Japan's resources to carry on the war were clamped on the economic life of the nation by order of the cabinet. Approval was given to a far-reaching plan for mobilization of the agencies of production, distribution and consumption and for placing them under strict emergency control.

The two principal objectives of the plan are to insure a steady and plentiful flow of essential materials to the Japanese troops in China, and to promote export trade. In a lengthy statement, the Government explained the nature of the "material mobilization" plan and asked the full support and understanding of the nation. The statement said the Government decided to take the necessary steps to regulate the supply of and demand for war materials and commodities in order to "maintain ample distribution of munitions, and raw materials for exports in view of the new situation created by the China hostilities.

"At this juncture it is necessary for us to establish a war-time foundation for the supply of and demand for materials through co-operation of the Government and the nation," the statement said. We must do this to concentrate our policies on the achievement of the objective of the present hostilities—perpetual peace in the Orient. It is urgently necessary for the Government to make control of materials more effective and adaptable to the present situation. In other words, it has become more necessary now than in peace time for the Government to promote export trade and control the distribution and consumption of materials."

Impasse in China May Lead to a Russo-Japanese War

BY C. Y. HSIEH

IT IS apparently paradoxical, yet really natural, that in proportion as Japanese troops in China are meeting with daily increasing resistance by Chinese forces, the feeling is gaining ground in Japan in favor of a "punitive campaign" against Soviet Russia. As usual, the press has taken the leadership in advocating the war, while rightist parties have also started a nation-wide movement to prepare the Japanese people for a greater crisis than Japan has ever faced. And no less a Fascist leader than General Sadao Araki, a member of the Supreme War Council and former Minister of War, has taken up his pen in defence of the thesis that the Sino-Japanese conflict cannot be considered as settled, even if the two countries come to terms, without a fulfillment by Japan of the aims of the Anti-Comintern Pact. In more plain words, the Japanese military leader would, if he could have his way, try to solve the Chinese and Soviet problems with one masterly stroke.

For a recent outburst of Japanese ire, the usual reason is advanced that the Soviets have been aiding the Chinese Government with armaments and fighters in its resistance against Japan and that with the prolongation of Sino-Japanese hostilities, they are assuming a more positive attitude in the Far East. The real trouble before the Japanese, however, is that the war of attrition waged by China is beginning to draw on the man power and resources which they have reserved for a conflict with Soviet Russia.

Be that as it may, the new Japanese clamor for war with the Soviets has not been taken seriously by political observers. The opinion is general that with her hands fully tied in hostilities in China, Japan is in no position to take on herself more military commitments. In some circles it is suggested that Japan's bellicose gesture was merely intended to correct the unfavorable impression created at home and abroad by her recent reverses in South Shantung by showing that she can, if necessary, fight Soviet Russia and China at the same time and that she is not at all worried by her current lack of military success in the latter country.

Danger is Real

Without contesting this explanation of the Japanese motive, it should be pointed out that the danger of a war with the Soviets as a result of Japan's provocation is nevertheless real. In the first place, it is clear to every one that the Continental policy of Dai Nippon envisages the conquest of China as an end to which, however, a victory over Soviet Russia is a necessary means. Politically speaking, what Japan has gained in China ever since the outbreak of the Mukden incident in 1931 is, in her own calculations, still unsafe without a successful campaign against her only serious rival on the Asiatic Continent. It is true that she lost her best chance to attack Soviet Russia shortly after the Manchurian incident, yet she has not given up the plan for such an attack. Since the prolongation of current Sino-Japanese hostilities will have the effect of strengthening the position of the Soviets, the Japanese may decide that the time has come for them to settle their differences with their northern foes by force.

Apart from this political factor, it will be seen that military expediency may compel Japan to demand a showdown with Soviet Russia. There is ample reason to believe that the necessity of keeping a close watch over the Siberian and Manchurian frontiers by the Japanese Army, while it is deeply engaged in what was underrated as the "China incident," is proving too much a strain. According to estimates made by competent experts, Japan has a total of 4,000,000 men available for general mobilization in the event of war. Of this number she has apportioned one half for eventualities along the Soviet-Manchukuo borders, one fourth for the China campaign and the remaining fourth for defence requirements in Japan Proper, Korea and Formosa. Since the outbreak of Sino-Japanese hostilities last autumn, the total Japanese casualties have reached the neighborhood of 350,000, while the present expeditionary force in China is placed at no less than 25 divisions which, on war time footing, comprise something over 600,000 men. Put these figures together and we arrive at the million quota, over which Japan cannot send more men to China without drawing on the forces intended for a possible clash with Soviet Russia or weakening domestic garrison forces.

Since the present numerical strength of the Japanese in China is hardly sufficient to cope with the Chinese counter-attacks, Tokyo is presented with two alternative courses—the shortening of military lines and positions in China or the dispatch of more troops from Japan. The former course, by putting the Japanese on the defensive, will further postpone a decision in the Sino-Japanese armed struggle to the disadvantage of Japan, while the latter is attended with equally great risks as mentioned. Faced with such difficulties, it is not entirely impossible that the Japanese may try the last desperate expedient of provoking a showdown with Soviet Russia in the hope of achieving a greater freedom and economy in troop disposal, once the war with the Soviets starts, instead of holding back a large force which should be put to active engagement at the front.

Economic Strain

There is the strain of war time economy also to be considered. Since the opening of the Sino-Japanese armed conflict, Japan has come under various forms of Government control and regimentation which, though only beginning, have already brought about serious effects on her trade and industry. The indefinite continuance of current hostilities may put such a strain on her economic structure that she will hardly be in a position to enter into an armed struggle with any other Power when the zero hour comes. This fact may argue strongly against her waiting any longer for an attack on Soviet Russia.

Besides these factors, which are working for Japan's imminent provocation of a war with the Soviets, there are other domestic and international advantages to be derived from this adventurous policy. The Tokyo Government is feeling the imperative necessity of stimulating public opinion in Japan, which has become increasingly indifferent and even disaffected owing to the military impasse in China and the mounting economic burden on the Japanese people. For this purpose nothing could be more effective than a clash with Soviet Russia which, by matching Japan to a major Power, would generate unanimous enthusiasm in the Island Empire over a new life-and-death struggle and overcome the anti-war sentiments caused by wasteful and profitless hostilities in China.

In the international sphere, in may be noticed that the tripartite Anti-Comintern Pact, on which Japan counts so much in her present Continental venture, stands in danger of lapsing into virtual nullity. With Rome appeased by the Anglo-Italian rapprochement and Berlin faced with a choice between playing a lone game in Europe and rejoining a 4-Power or 5-Power accord, Tokyo is acutely feeling its diplomatic isolation. An immediate conflict with the Soviets may yet win back German and Italian support for Japan before it is too late. An anti-Bolshevik crusade, moreover, cannot fail to ease the existing Anglo-Japanese tension and slacken the naval preparations by Britain and the United State for eventualities in the Far East. Over and above these advantages, Japan counts on the possibility that once she poses as the vanguard of capitalist forces against Soviet Russia, other Powers will make considerable concessions and give her a free hand in China.

While Japan has come to the crossroads between immediate war or continued peace with Soviet Russia, it is interesting to note that the Moscow Government has been playing its diplomatic game with its usual aptitude. To the Chinese authorities it has given enough support to gratify them yet not so much as to arouse the anxiety of the other Powers lest China go "Red." For this support the Soviets received but rejected strong protests by the Japanese. To temper stiffness with grace, however, Moscow recently offered to settle the outstanding Soviet-Japanese problems in the hope, no doubt, that Tokyo may feel safe to go on with its suicidal campaign in China. The Soviets certainly have big cards and know how to play them!

District Attorney, "Defended" the Modern Roads of Missouri

Leighton Shields, U. S. District Attorney at Shanghai, who is a native of the State of Missouri, sent a letter to the Shanghai *Evening Post* on June 17, wherein he defended the modern roads of his state against a charge that the "sticky mud" of Honan province resembled the muddy roads of Missouri. The "incident" resulted from a statement issued by the Japanese *Domei* service that it had been necessary to withdraw Japanese troops from northern Honan because the sticky mud, "not covered in the military instruction book," had made it necessary to withdraw troops and mechanized equipment. The Editor of the *Post* in commenting on the subject compared Honan mud to Missouri roads in the wet season.

Mr. Shields replied to this "amazing lack of accuracy," to the following effect, "First class travel upon wide hard-surfaced highways in economically operated modern motor cars is not the least of the pleasures of Missourians. An interesting comparison between China and Missouri regarding size and advantgaes should include the observation that while China (eighteen Provinces) is twenty-two times as large as Missouri and is accredited with a road mileage of 51,100, Missouri, the object of your-mud-slinging, has a total road mileage of over thirteen thousand miles, of which 94% is surfaced with concrete, asphalt, bitumen or macadam, and in this regard exceeds road mileage found respectively in California, Illinois, Michigan, New York or in the great State of New Mexico. Over these Missouri roads the happy inhabitants, rich and poor, find recreation in burning up annually over a half-billion gallons of gasoline."

Remains of Szechwan War Hero Conveyed to Chengtu

Huge crowds of people, including representatives from government and civic organizations, greeted the arrival June 13 in Chengtu of the remains of the late General Wang Ming-chang, a division commander of Szechuan troops, who sacrificed his life in the defence of Tenghsien in southern Shantung. National flags were half-masted throughout the city in mourning of the hero, and sacrificial comerenies were continued for three days.

War-Time Japan Living Under Heavy Restrictions

ECONOMICALLY Japan, after one year of war, is in a position which may be likened to that of Germany's in the final year of the world war. Japan, in its attempt to conserve every scrap of its meager resources, to restrict to a bare minimum imports of raw materials from foreign countries, and to infuse the nation with thoughts on the dire need for practicing economies, is beginning to develop substitutes for the real thing and at the same time cut down on the "extravagant" use of what may be termed non-essentials in the daily home and business life.

Japan's Finance Ministry, pointing the way to economy, announced this week that it plans to save at least Yen 200,000,000 out of government expenditures for the current fiscal year. Expenditures in the ordinary budget, exclusive of military appropriations, were fixed at Yen 2,867,000,000 in the recent session of the Diet. The policies of retrenchment and economy under contemplation will be enforced both in the ordinary and supplementary budgets affecting at once the Central and Prefectural governments. Ministry officials plan to enforce strict economy in the consumption of major commodities by the Central and Provincial governments, especially in connection with public works and iminimizing payment abroad.

And, as Japan ordered into effect its mobilization of commodities campaign which restricts or bans general consumption of major products, about 800,000 workers were thrown out of employment. Government officials, sensing the potential menace created in the 800,000 idle, disgruntled workers, announced that an appropriation of Yen 1,200,000 would be granted to provide jobs for them. Two hundred official employment offices are to be opened throughout the country on July 1. The number of jobless in Japan is double the number of unemployed in 1931, which was a high mark owing to the world-wide business depression.

One of the latest form of substitutes being considered is glass fiber for use in the manufacture of clothing and footwear. Successful experiments have been made in the practical use of glass fiber as a new kind of clothing material. The reports were hailed with the prediction that a "new and promising enterprise may be added shortly to the number of rising industries engaged in the manufacture of substitute materials in line with the national mobilization of materials and enforcement of thrift."

In its regulated economy drive the Government is urging the widest possible use of staple fibers and substitutes for materials needed in military operations. The new glass fiber, it was revealed, is made of 80 per cent waste glass, 15 per cent soda ash and 5 per cent other materials unnamed. The new fabric was said to "warm, light, odorless, water-proof and non-corrosive."

Concerns planning to enter the new field of manufacturing substitute materials, the press said, already include the Nitto Jewel Manufacturing Company, the Asahi Glass Manufacturing Company and the Tokyo Electricity Company.

Synthetic Rubber

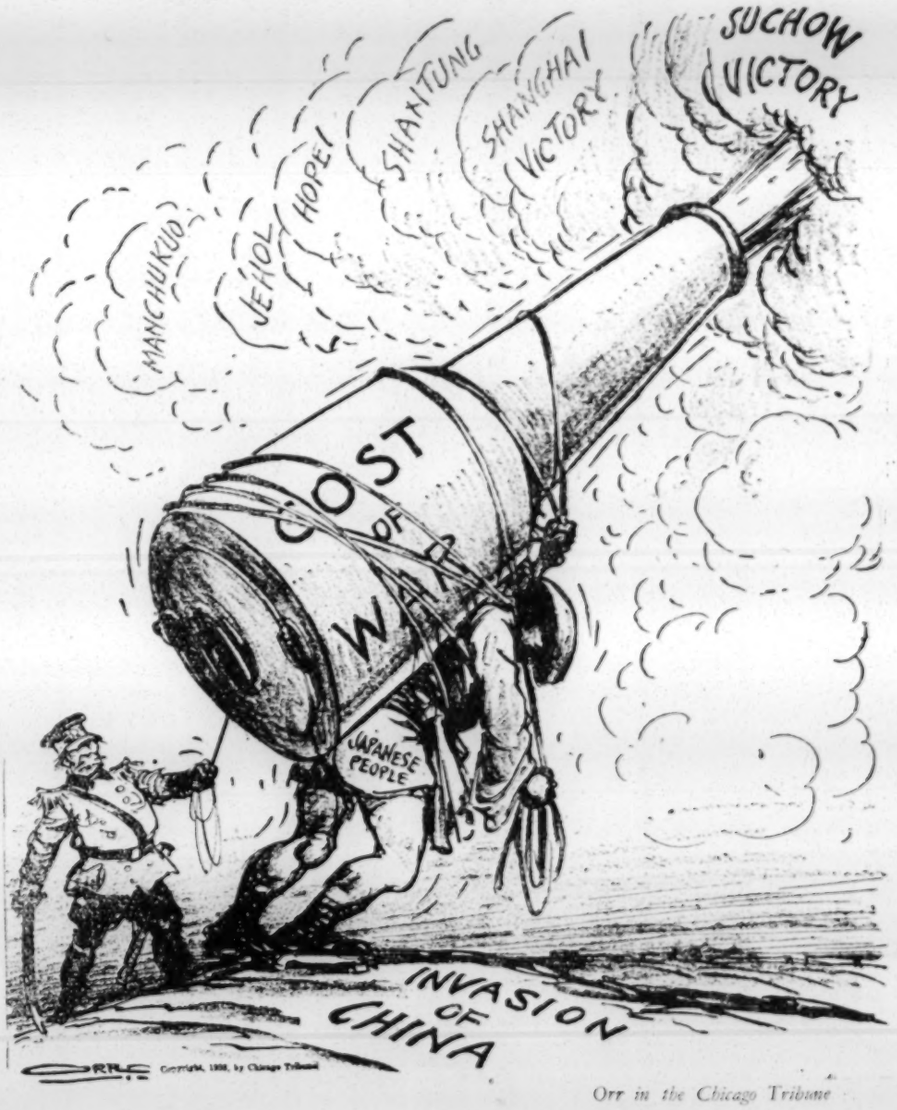
Carbide, the mineral generating a gas producing a powerful light, also is looming large in Japan's scheme of war economy as the source of synthetic rubber. The Osaka Industrial Experimental Station recently announced the development of a new process whereby four tons of carbide will produce one ton of rubber. The supply of carbide in Japan was described by experts as being "virtually inexhaustible." The "erzatz" rubber, station technicians claimed, has more elasticity and is more durable than natural rubber but its non conductive properties are interior to the non-synthetic product.

The cost of production, while higher than that of natural rubber, is lower by the carbide process than the systems used in Germany, Soviet Russia, and the United States, it was further claimed. Production on a commercial basis of synthetic rubber under the new process is reportedly being planned by the Japan Rubber Manufacturing Company and the Mitsubishi Mining Company.

Substitute for Steel

Serious attention is being paid to "high-powered" earthenware manufactured by Dr. Nagao Nayami, lecturer in the Osaka Engineering College. Its inventor claims that his product is entirely different from ordinary earthenware and will serve as an excellent substitute for steel, lead, zinc and other metals and make good water pipes, machinery parts and knives. It is made, he said, by saturating earthenware with lignite or dolomite while it is in the process of manufacture.

CAN'T STAND MANY MORE VICTORIES!



Orr in the Chicago Tribune

Motor to Burn Shavings

A new invention by Yasuhiro Matsumoto, 26, of the South Manchuria Railway, aims at improving on the firewood-burning automobile that has emerged in the wake of charcoal-burning and other innovations. The Osaka Machinery Works submitted its new model to the performance test of the Commerce and Industry Ministry and exhibited it at Hibiya Park, Tokyo, as a lesson to Tokyo citizens not to throw away wood shavings, bean shells and such waste goods. The shaving-burning engine is three feet high, 12 inches in diameter. It will take Yen 600 to be fixed to an eight-cylinder Ford and Yen 370 a for a truck. It can develop 35 horsepower. Matsumoto, the inventer, thought it a shame to throw away the bean shells which abound infinitely in Manchuria and so invented the engine and took out his patent in the spring of last year.

Students Will Cut Down

The government, in its campaign to force upon Japan the "spirit of the economic warfare," has urged all students of univer-

sities, colleges, middle schools and primary schools to practice habits of thrift and economy.

During the "economic warfare encouragement week," scheduled by the Government to begin July 21, the authorities of the Education Ministry intend to carry out a special program designed to stress the importance of economizing consumption, conserving resources and simplifying modes of living.

Youths attending all educational institutions in the country will be exhorted to use substitutes for clothing, shoes and other necessaries of school life. Some of the officials in the Education Ministry are advancing the opinion that students may go to school with clogs on their feet instead of shoes and that they may carry on gymnastic or military exercises barefooted. Instructions to effectuate the habits of economy and thrift already have been sent by the Education Ministry to various organs and institutions concerned.

Thrift Among Workers

The home-made lunch movement of the Commerce and Industry Ministry, horizontal deduction for savings initiated by the Finance Ministry and other thrift measures, are fast taking hold of the various Ministries and a daily life improvement movement has started in the archives section of the Communications Ministry secretariate and also a thrift movement in the Railways Ministry.

In accordance with the wishes of the 100 or more members of the archives section of the Communication Ministry secretariate, leading officials got together and have drafted a scheme for effective saving:

"Buying of unnecessary articles or ordering of new suits to be cancelled, smoking or drinking reduced to the minimum, banquets and parties abolished; clothing simplified, no neckties or jackets in hot weather; to raise efficiency, budgetary estimates home for the household, all purchases to be in cash, month-end payments to be liquidated; borrowings to be abolished; persons receiving below Yen 50 per month to save 50 sen, 70 to save Yen 1.00, Yen 100, Yen 2.00; Yen 150, Yen 3.00; Yen 200, Yen 5.00; Yen 300, Yen 7.00 and those receiving more than Yen 300 to save Yen 10.00 by horizontal deductions. Also 50 per cent of all salary raises hereafter is to be placed on the savings account."

At the Railways Ministry, the voluntary system of savings instituted in 1909 in commemoration of the Constitution Promulgation celebrations of 1908 will be turned into a compulsory system and the mutual aid deposit system will also be improved. The scheme for revising the savings rules, already approved by the Railways Minister on June 10, is aimed at making all employes of the Ministry join in the thrift drive. At present there are 130,000 members of the voluntary savings association, depositing Yen 8,000,000, and 140,000 members of the mutual aid deposit association, with Yen 50,000,000 deposited, but there are still many employes of the Ministry who are members of neither of these associations. The revised scheme will make all the 230,000 employes join.

Gasoline Control

The gasoline control inaugurated on May 1 will be "strengthened another by 10 per cent" as from July 1. The rationing system this time will not be uniform as before, but will be specially stringent in regard to unurgent or unnecessary enterprises. Consequently, it is even possible that private cars, sight-seeing buses, sight-seeing motor-boats, etc. may find their rations too small to continue operation. On this matter the Commerce and Industry Ministry is expected shortly to consul the Railways, Communication, Home, Overseas and Agricultural Ministries which are concerned.

The Commerce and Industry Ministry's policy is to allow as large a ration as possible to munition factories, factories where increase in production is carried out, fishing motor-boats and taxicabs, which are means of livelihood. Abolition or drastic cuts will be enforced against buses which are running in competition on the same line or in parallel with tramway lines, eliminating all superfluous enterprises.

The traffic section is to allocate ration tickets to some 50,000 automobiles, including trucks, taxis, hired cars, tricycles, Datsuns etc., which consume 95 per cent of the city's gasoline. As limitations against only "unproductive enterprises" such as private motors, sight-seeing buses, etc. would not be sufficient to obtain the required amount of economy, rationing is expected to extend in varying degrees to all motor vehicles. Thus even post office cars, hearses, etc. which have been given special consideration will not escape rationing, it is believed.

In consequence, it is expected there will be a decrease in bus services and increase in tramcar passengers. Thus the Metropolitan Police Board has decided to have the municipal authorities and suburb tramway companies increase the number of cars in order to prevent traffic congestion.

S.S. Shuntien Released

Detained by the health authorities at Tangku for five days, the British Butterfield and Swire steamer Shuntien proceeded to Tientsin June 26. The vessel was also detained for five days at Chefoo earlier this month following the death of a Chinese passenger who had boarded the ship at Shanghai. Death was attributed to cholera.

Madame Chiang Asks Aid in Preserving China

ADDRESSING the closing session of the recent Wuhan Women's Conference, Madame Chiang Kai-shek asked two questions: Should "we foresake our principles because of the threatening future?" and "Have we the forthright courage toc ontinue fighting for our national existence; for our sovereign rights; for our very lives?" To the first question, she emphatically said "No," while to the second she forcefully replied "Yes."

"We must fortify ourselves," Madame Chiang declared, "with the determination that the greater the obstacles and difficulties are which we encounter, the more unflinching and resolute should be our resistance. We must continue striving until we have achieved our objective—which is the salvation of our country; the preservation of our ancient heritage."

Following are extracts from her speech:

This is the last session of our five days' conference. In this hall are gathered representatives from thirteen different provinces. Considering that our country is at war; that each one of you has heavy responsibilities in your own field, and that you have left your work there to answer my invitation, I wish, all the more, to express my appreciation of your presence here. The oldest delegate, Miss Phoebe Ho, has a spirit as youthful as our youngest delegate, Miss Chang Su-ngu. At the same time, Miss Chang, despite her youth is as zealously interested and concerned in the problems we have discussed as Miss Ho. This is merely an illustration to show the spirit that animates all of us, who are here both old and young. because of that spirit I am sure that out of this five days' conference will come concrete and worth-while results.

If you remember, the other day I used the simile that this conference—and its consequences—was much like the dropping of a people in a pond. Although we are but a handful here, our influence on our fellow countrywomen could be like the impression the pebble makes when it is thrown into the pond. The water affected in the beginning is but a small spot. Little by little, circles of waves appear and enlarge until they spread all over the pond . . .

200,000,000 Women in China

We have 200,000,000 women in this country. How few of our fellow women have had educational opportunities. In view of the fact that the majority of our fellow women are not educated, the proportion of educated women seems alarmingly insignificant and ineffective. The 200,000,000 of our fellow women, however, are like the flour from which bread is made, and we, the educated women, may be likened to the leaven. In order to make the flour into palatable bread the leaven must do the work through being thoroughly mixed with the flour.

It is so with us. We must somehow reach the rest of our womanhood. And as we represent various organizations and institutions the success of this conference will be in proportion to our ability to influence the other members of our organizations.

I have spoken of what our duty should be toward our country in this crisis, and now I will say a few words as to how we may work in order to get the quickest and most beneficial results:

(1) We must strive, and we must work unceasingly. We must have firm determination and resolute courage to carry on in all circumstances. When we study the history of great nations we see that for a nation to become great, and for a nation to attain independence and equality with other powers, it has to conquer many obstacles, and employ unflinching courage in facing realities.

(2) The first day of the conference I mentioned the necessity of unity and co-operation. Today I wish again to emphasize that if we are to accomplish results we must have selfless devotion to our cause; we must remember that in unity there is strength; that the welfare of the country demands our highest loyalties, and that all other loyalties should be subordinated.

Self-Confidence Necessary

(3) It is essential that there be self-confidence. We must believe that we are capable of building up a new nation, and we must be cheerful in the face of national disasters. If one has courage and foresight, half the battle is already won, because victory depends as much upon the morale of the soldiers and the nation, as upon material equipment. There may be some who might say: "Why did we not think of these things before?" It is true that we should have thought of them, and we should have done certain things. However, it is never too late to mend.

Before I conclude let me just mention a significant fact. With the exception of Spain and China which are suffering from calamities caused by the war, all nations are arming and re-arming in preparation for a second world war. But we, in China, although involved in an "undeclared war" of aggression that was forced upon us, one that we are going to carry to a finish, are just as actively laying foundations, based on the Three People's Principles for the reconstruction of a new China when the conflict is ended

Concealed Dictatorship Behind the Mikado's Throne

BY JAMES A. B. SCHERER*

(Current History for June)

THE JAPANESE people were dragooned into this "undeclared war." "Dragoon" is an old word for cavalryman, and the particular cavalryman under whom they were forced into a ruinous war against their expressed will, and who for nearly a year has been their *de facto* ruler, is the Governor-General of Korea, Gen. Jiro Minami.

His very name means "south," and he typifies that famed southern spirit that has inspired so many generals and admirals. Born sixty-three years ago in the southern island of Shikoku, and endowed with extraordinary powers, he graduated from the Military Staff College when only eighteen, and eventually became one of its most brilliant instructors, after gaining practical experience in the Russo-Japanese war. Facially, he suggests the famous portrait of the first of all the Shoguns—Yoritomo. For he has the same heavy jaw and bull neck, thick lips and broad ears, a round nose, and heavy-lidded eyes. His physique is powerful, and while his horsemanship is undistinguished, it keeps him fit. Indoors, he studies military science incessantly, a jar of warm rice wine at his elbow, for he is a *sake* connoisseur. To his familiars, he is known sometimes as "the Go-getter," sometimes as "the Diplomat," depending on which phase of him is functioning. When Sterling Fisher of the *New York Times* interviewed him on the Manchurian border, he even had kind words for the alert Russian soldiers. "Put yourself in their place," he suggested. "Is it any wonder they're on their toes with our troops lined up opposite?" But Manchuria had already become Manchoukuo, and in effecting that change Minami had not only played the major role, but had played it ruthlessly.

Minami's career, during the last seven critical years, can hardly be understood without reference to his crony, Gen. K. Ugaki. Ugaki was the central figure in the first of the Army plots to seize control of the Japanese government, in March, 1931. Cooperating with two other officers, Ugaki plotted to compel Parliament to name him Premier, with dictatorial powers. His plot failed only because Gen. Masaki, guarding Tokyo, got wind of it. It seems hardly conceivable, in view of the well known intimacy, that Minami was unaware of the plot, or unsympathetic with it. But he played his cards so well that his name was not tarred by the brush that disgraced Ugaki, nor the friendship marred. Through his influence, Ugaki's face was saved by sending him to Korea as Governor-General, while he himself, at Ugakis' suggestion, succeeded to the Ministry of War.

Suspecting that, among the three hundred ranking officers, were many critics of his inexperience in military administration, Minami swept aside the stiff conventiona-

"CONCEALED DICTATOR"

General Jiro Minami, Japan's "behind the scenes" Warlord-Dictator, who holds the key to Japan's present military dictatorship, and who manipulates political affairs, makes and remakes cabinets, and directs the war on the Continent by means of the long-distance telephone. Gen. Minami, former Ambassador to Manchukuo and concurrently Commander-in-Chief of the Japanese troops in the puppet state, is now Governor-General of Korea. Upon his appointment to his present position several months ago, Gen. Minami's first act was to suppress all Korean newspapers.

**Dr. James A. B. Scherer, writer of this article, is well known as the author of numerous books on Japan, most of them favorable. But his latest book, "Japan Defies the World," which exposed the "Concealed Dictator," and the Army's plot in Manchuria, was banned from Japan. Dr. Scherer taught English in Japanese schools for several years and is better informed than most foreigners on developments in Nippon. Recently the Japanese tried to muzzle him with a decoration—which he returned. References to Dr. Scherer have appeared in The Review previously, particularly on March 12 and June 4* *(Page 18).*

Military Training in Japan*

Between the ages of 17 and 40, service in the Japanese army is compulsory, actual service beginning at 20. There are two classes into which the physically capable are divided: the "fit" and the "absolutely fit." The active army consists almost entirely of the latter category.

The supplementary reserve is made up of the "absolutely fit" recruits not required for the first line, and enough of the "fit" to maintain units at full strength. Service in the supplementary reserve is for twelve years and four months. After this period, soldiers are transferred to the home defense units until the age of 40.

The home defense force is divided into two sections, one consisting of men who have passed through the supplementary reserve, and the other of those who have not served in any of the preliminary service units but who are not exempted from military service. These latter receive no military training, and are called out only in extreme emergencies.

lity that had always characterized the assumption of office. When the three hundred were assembled, he strode before them and called out, "At ease!" Before they could recover from their astonishment at this rough smashing of ceremonial precedent, he bellowed, "I'm nothing but a novice in matters of military administration, and depend on your cooperation! That's all!" He turned around abruptly and left the hall.

He also left them gasping. He had "put it up to them." He had done it by a stage play as crafty as it was bold, and at the same time had made the front page. But Minami is also a master of concealment, and deserves first prize for keeping off the front page since succeeding Ugaki two years ago as Governor-General of Korea, a job for which he was thoroughly prepared by his success in Manchukuo. Meanwhile, Ugaki returned to Tokyo to make another attempt—with Minami's aid—to realize his ambition to be Premier.

Minami is the creator of Manchukuo. When Ugaki's plot of March, 1931 failed to hoist militarism into the ruling saddle, Minami planned "the Manchurian incident" as a means to that end in the following August. Assembling his divisional commanders in Tokyo, he delivered a philippic which, as Takeuchi says in his important work, *War and Diplomacy in the Japanese Empire*, was accepted by the nation as "open notice that the military were united in demanding a more vigorous policy toward Manchuria, failing which, they were ready to take the situation into their own hands and seek a solution in their own way."

Minami's philippic went even further. He scored the Wakatsuki-Shidehara cabinet, to which he belonged, for its weakness toward China. He denounced the people's demand for reduction of armament. He rallied all soldiers to their "duty." "Some folk," he said, "hastily advocate limitation of armaments, and engage in propaganda harmful to the nation and its Army. I expect you officers to cooperate with the War Ministry in correcting such mistakes!"

Takeuchi, after pointing out that under Minami's ministry the actual center of authority for directing Japan's continental policy was already shifting from Tokyo to Manchuria, says that one effect of this pronouncement was to transfer "the whole direction of Japan's foreign policy from the Foreign Office to the War Department." Troops poured across the Yalu River from Korea to augment the Kwantung army. War preparations became so feverish that on September 17 the Osaka *Asahi* mentioned the general mobilization of troops. The very next day a rigid censorship was clamped down, and the following night Japanese troops claimed that "the Young Marshal's" soldiers had damaged a fishplate on the South Manchuria Railway just north of Mukden, and proceeded to "retaliate." Japan's huge war machine, all geared up and ready to go, steam-rollered across the plains, while an impotent Foreign Office kept assuring foreign governments that there was nothing to worry about. Three days after the fishplate fiasco, Minami coolly reported to a jittery cabinet, "just as a matter of form." He added that "the troops had crossed the river into Manchuria, and there was nothing for the Premier to do but accept the *fait accompli*." On October 9, he presented the Premier with the text of the Fundamental Policy for the Settlement of the Manchurian Problem, including a purge of all "unreliable" soldiers and bandits. There could be absolutely no withdrawal of military forces. He also advised negotiation thereafter, not with China, but with "the new political entity of Manchukuo"; and he added a straight warning to the League of Nations that "Japan possesses special rights and interests in Manchuria and Mongolia,

Gen. Jiro Minami, described as the "concealed dictator" of Japan, who is now Governor-General of Korea.

and rejects absolutely any intervention on the part ot any third nation." As a writer in the current issue of the Tokyo *Kaizo* says, "the settlement of the Manchurian affair was fundamentally based on this text."

In December of that year, Minami's reward for doubling the area and mineral wealth of his Empire through giving it control of a vast puppet state was a full generalship and promotion to the Supreme Military Council. He saw to it that his friend Araki succeeded him as Minister of War.

Araki is as noisy as Minami is reserved, but there can be little doubt that he expressed Minami's ambitions for Japan, as well as his own, in the flamboyant boast that "the imperial principle of the Japanese nation must be propagated over the seven seas and extended over the

five continents; anything that may hinder its progress must be done away by force."

Minami Moves Up

When Minami went over to the mainland in 1934 to command the now huge Kwantung army, he established the three essential features of the ancient *Baku-fu*, as the Japanese call the Shogunate, or military dictatorship, that oppressed them for centuries before the "Restoration" of the Emperor in 1868: (1) Two capitals virtually

Gen. Count Sadao Araki, "firebrand of the Army," who was one of the conspirators in precipitating the Mukden "incident" in 1931 which started the Sino-Japanese War. Gen. Araki is now Minister of Education in the new Tokyo Cabinet, a position which gives him an opportunity to pass on his warlike views to the youth of Japan. The picture shows Gen. Araki, in full dress uniform, leaving his home for the Imperial Palace for a call on the Emperor.

existed, one at Tokyo, where the Emperor sits enthroned, and the other, the Camp Government, *Baku-fu* in the field, with the first ranking officer of the Army at its head; this resulting in (2) the substance of power in the Commander's hands; with (3) a careful concealment of the real truth, the old Shogun's primary axiom having been to "wield power in fact, never in name."

Accordingly, a penetrating study of contemporary politics, *Japan in Crisis*, says that by 1934, Japan had virtually become a military dictatorship again, for, while "the Emperor continued to be reverenced, and all things were done in the imperial name, in point of fact, there was no real difference, in essential matters, between the way the old *Baku-fu* had ruled Japan and the way Japan was governed now." Dr. Wildes hazards no guess as to who the concealed dictator is, but unimpeachable Japanese authority informs the writer that "the Army dominates Japan, and Minami dominates the Army," and every test I have been able to apply to this statement proves it true.

Two years ago, at Ugaki's request, Minami succeeded him as Governor-General of Korea. Since then he has attempted to manipulate an undeclared war on China along the same lines as the Manchurian exploit.

However, before launching on this new adventure, Ugaki was to have been made Premier, so that the cronies could work together. Through Minami's influence, the Emperor named him for that office, when the Hirota cabinet fell at the beginning of 1937, because the Japa-

Gen. Kazushige Ugaki, who was another of the army conspirators involved in precipitating the Mukden "incident" in the fall of 1931 which brought on the Sino-Japanese war, and which, ultimately, may result in an international war and the down-fall of Japan. Ugaki is now Foreign Minister at Tokyo and recently was made Minister of Overseas Affairs in addition. In this posed picture the Japanese warlord is shown in peaceful mien, tending flowers in his garden.

nese people could no longer stomach its militarism. But the arm chair generals in Tokyo blocked Ugaki's ambition, probably because they remembered his connection with the original Army plot. They blocked it by refusing to have any one of their number serve as War Minister, so that Ugaki, humiliated, had to confess to His Majesty his inability to form a government. In his humiliation he severed all connection with the Army, and surrendered his military titles. As a last resort, Gen. Senjuro Hayashi was appointed, but his term was short-lived. Hayashi's downfall dramatically demonstrated the people's attitude toward any further military adventures on the mainland.

With a display of poor strategy, Hayashi dissolved a recalcitrant Parliament, precipitating a general election, which he fatuously hoped would seat his own hand-picked deputies, and thus regularizing the militarist program in China, as Minami wished. But the Japanese people, when summoned to a plebiscite, are not like Hitler's. They prize the Constitution promulgated half

a century ago, and their liberties under it. Instead of flocking to the polls with Army rubber stamps in their hands, they turned down the militaristic program thirty to one.

Hayashi tumbled from his perch, to be succeeded by Prince Konoye. And Minami, warned by the terrific popular rebuke, decided to shoot his last bolt. Seizing on the Bismarckian device in the Japanese Constitution which makes the fighting services responsible only to the Emperor, he decided that "an incident" had occurred at the Marco Polo Bridge near Peking, deserving a chastisement, similar to that given the Chinese following the demolition of the Manchurian fishplate. He also exploited Emperor-worship to implement his program without further delay. Prince Konoye was persuaded to visit His Majesty at the Imperial seaside resort last summer, and when he returned with the privy seal affixed to an order authorizing the Chinese incursion, he wielded as much power with the populace as Moses when he came down from Mt. Sinai. This is no exaggerated analogy, for, although Prince Ito wrote of Japan shortly before his death as "a once theocratic state," Emperor-worship was later resuscitated as a tool of statecraft, and the present generation of Japanese has been taught from infancy in the government schools that their Mikado is "the incarnate God who governs the universe." So when the first puppet Parliament met in Tokyo last summer, it was blandly informed that it had been called "to approve the Army's occupation of the Peking-Tientsin area of North China, and a totalitarian program of economic and financial reform." "Such criticism of the Army's adventures as caused the fall of Hirota's government," said the press dispatches, "has been ruled out, for any thought that the positive policy adopted in China might be challenged was abandoned when the Imperial approval was given." As the hymn-book has it, "To doubt would be disloyalty, to falter would be sin."

A Super Council

Like other dictators, Minami rules by personal power. His power is the power of intelligence backed by a ruthless will and served by diplomacy as needed. He knows his history thoroughly, and he is also a student of the national psychology. He knows how other Shoguns succeeded, and how still other Shoguns, such as the Ashikaga, failed. Like such great Shoguns as Yoritomo and Iyeyasu, he envelopes himself in a shadow of profound reverence to the Throne, while the Army, far removed from Tokyo, gives him the substance of power.

Unlike Ugaki, however, he discloses no personal ambition, a trait the Japanese will not tolerate in a minister. They remember what the greatest of all their princes said thirteen hundred years ago: "To turn away from that which is private, and to set one's face toward that which is public—this is the path of a minister." Yet, like Hitler, Minami believes himself inspired to lead his Japanese Reich toward its manifest destiny—world power.

Diplomacy has led him to cultivate the steadfast attachment of men of his ilk, and many of these men now hold key positions in Tokyo and on the mainland. He returned to Japan from Korea last January to initiate a Super Council, a brain trust. On it now sits Ugaki, with Araki beside him. Between them, they could almost dictate the government, such is their intelligence and will power. This Super Council takes precedence over all the regular military organs of government, such as the Board of Field Marshals and Fleet Admirals, the Military Advisory Council, the General Staff, and the War Ministry itself. But the titular Minister of War, Sugiyama, received his training as Minami's vice-minister, during the manipulation of the Manchurian exploit. And without doubt, when he declared last summer that "China must be reduced to absolute military and economic helplessness," he was repeating Minami's instructions, usually transmitted by long-distance telephone from Korea. Likewise, Doihara, who was blamed by the foreign correspondents for his high hand in Manchuria, is but Minami's messenger. So with Hirota, who, through the secret Black Sea Society, has from his youth been pledged to the militarist will.

But it is not all beer and skittles. The Army and Navy have a long-standing political jealousy, and Admiral Suetsugu, now Home Minister, cherishes ambitions of his own. Prince Konoye, too, in spite of his earlier pliancy, seems no longer supine. At the military behest he assisted Hirota in driving the National Mobilization measure through the recent Parliament, succeeding only on his personal promise that it would not be invoked during the present "incident." Now that military pressure seeks to force him to invoke it, he balks. At the moment it seems almost as if he were holding on to the premiership to keep it from becoming a dictatorship. During the last half of April, as the plans of Suetsugu and Minami began to emerge from concealment, this ugly word made its first appearance on the cables. Perhaps the Prince sees how badly he was duped, and rallies to the call of the people.

In spite of the rigid censorship, the people are making themselves heard. The current *Kaizo* declares boldly that "what they desire is the day of peace," and even mentions "spiritual strangulation." It foresees the Prince's downfall, and speculates on his successor. Minami is its "man of the future," on account of his "talented social technique" and "keen perception." "The broad and unhurrying manner of his personal temperament and appearance" is also listed as an asset, since it "makes him look as though he had a tinge of democracy. He looks as though he has no interest whatsoever in politics, and seems to avoid the topic."

These are faithful translations of striking phrases in the *Kaizo* article, which concludes its treatment of Minami by confessing that "no one knows just exactly whether he is interested in politics or not. But this is the point on which he is ingeniously wise. There are many campaigners from Korea in Tokyo, actively engaged in supporting him. Of course, he most probably is unaware of such facts, but they tend to harm him ultimately, and are rather dangerous. Against hasty actions he should be on guard."

One thing clear from these cryptic remarks is that Jiro Minami's concealment is no longer one hundred per cent. The old Shoguns, too, had to emerge now and then from seclusion, but held on to their power. However, they had only serfs to deal with, who had not tasted liberty.

John Morris Didn't Think Shanghai War was Exciting

John R. Morris, manager in the Far East for *United Press*, who is now in America on his first trip home in seven years, said that he didn't consider the Sino-Japanese war here as exciting. In an interview in the newspaper trade magazine *Editor and Publisher*, Mr. Morris said that the Sino-Japanese battle lines were so drawn that it was possible to cover the war from the top of Sassoon House where his office was located. At night he continued to cover the war from the Tower Night Club on the ninth floor where one could observe the Japanese fleet on the Whangpoo, and also a few other things. Mr. Morris said he only had one narrow escape—one day when he was visiting the Japanese naval barracks, a naval contingent was attacked by Chinese and several killed. Mr. Morris jumped behind the walls of a ruined building and escaped injury. He had to remain there for fifteen minutes before he could regain the safety of the Settlement. Mr. Morris also narrowly escaped being aboard the U. S. S. Panay which was bombed and sunk by Japanese airplanes on the Yangtsze, but he went ashore at Nanking a few days before the incident. Mr. Morris came to the Orient in 1921 when he was first employed on the *Japan Advertiser*, American paper in Tokyo.

A New China Emerges

(*Shanghai Evening Post & Mercury*)

WE IN SHANGHAI are out of the world, so far as any very immediate contact with the Chinese hinterland is concerned.

But every traveller returning from a visit to the interior has something new and stimulating to tell which adds to the picture of indomitable will-to-resist, of courage and gathering unity, which John Gunther recently summed up tersely by saying that the difference between Hankow and Shanghai was that between day and night.

Our latest information comes from China's southwest provinces. There, several neutral observers agree, an unprecedented capacity is being shown for building up strength under stress.

This new China, travellers tell us, is very little concerned with such matters as the loss of Nanking, or Hsuchow, or Chengchow, even of Hankow perhaps. It is forging ahead on its own track, putting fresh power and enthusiasm behind the modernization and unification drive, and confident that the present conflict must eventually have but one outcome in whatever distant future—an outcome which will leave a free China standing among the great nations of the world.

In the matter of sheer military force it is estimated that some 6,000,000 men can be made available from the three provinces of Hunan, Hupeh and Kwangsi alone. Hunan has 1,800,000 on tap and has already sent 700,000 to the front. Training is going forward and the whole attitude of former superiority or even antipathy toward the soldier is changed while this extends to include the families of soldiers.

Honor to Soldiers

A "new aristocracy" of soldier families is reported from Kiangsi and Kwangsi. Homes which have contributed soldiers display an equivalent of the stars displayed in American homes during the World War, this being two red strips bearing Chinese characters meaning "Loyalty" and "Courage." In Kwangsi, wives or mothers of soldiers wear badges which mean honor and respect for themselves. More, special favors are accorded the families in these provinces; some hospitals provide free service, there has been aid in handicraft work, the Kiangsi co-operatives are giving active help, there have been instances of exemption from forced labor and in some cases there has been remission of taxes.

In the effort to give to the national cause as many trained men as possible, provinces with primitive tribesmen such as the Lolos and Miaos are conducting special studies to see how these can be employed. Some are specially skilled horsemen and the first of a series of groups of these, to be employed in guerilla fighting, is reported to have been dispatched to the front.

Kwangsi is trying a new method of conscription after having paid its soldiers, according to "old custom," until two years ago. There was an order that for six weeks no man could move from the province nor could families change their abodes (without permission for cause) while there was universal registration. Later there was a drawing of from one in 10 to one in 20, according to locality, able-bodied men to serve militarily. By paying $100, a conscript could escape service—but only for six months, after which he must pay again or go.

This seems to be in line with a general trend toward totalitarianism in Kwangsi and perhaps such a trend has its unfortunate aspect if extended over the country, but at any rate it is getting things done for the moment. The people appear to be enthusiastic, and slogans are everywhere. Some read as follows: "Work with poor resources; work hard and persistently." "Students for officers, citizens for soldiers, volunteers for conscripts." "Self-defense, self-government, self-sufficiency." "Reconstruct the country through rebuilding Kwangsi."

In the matter of munitions it is interesting to note numerous reports of Chinese manufacture of small arms and explosives at many places, indicating that even a collapse of the Chinese currency on foreign exchange would by no means spell an end ot resistance.

The most intense activity is reported from all interior provinces, with great public enthusiasm and a large number of new movements developing so fast that it is impossible to keep up with them. Many of the movements and activities represent a startling change away from the cynical and selfish old ways hitherto regarded as typical of China.

Women's Movements

Chinese womankind, for example, seems to be coming increasingly into the forefront under the leadership of Madame Chiang Kai-shek and others. Women's movements are reported in Kwangsi, Kiangsi, Hupeh, Hunan and Yunnan, among other provinces, and these include such enterprises as nursing, sewing, raising food, entertaining the soldiers, letter-writing and many other activities. One of the most touching is that of caring for child refugees, often war orphans, now said to number perhaps as many as a million. Madame Chiang has taken a lead in assembling and transporting these children to various centers where they are being cared for and instructed.

A great medical mobilization is reported and although there has been much criticism it seems clear that progress is being made. The Government declares that 60 per cent of the wounded soldiers recover and that of these, 90 per cent elect to return to the front.

There are "new gods in the old temples" with the temples themselves—formerly deserted during nine-tenths of the year—now busy with various war enterprises, and thousands of monks engaged in various kinds of war work including stretcher-bearing at the front.

Wartime food administrations are reported at work in many of the interior provinces and these may have far-reaching effect for they have not only taken steps to limit manufacture of wine and other things deemed "luxuries" or worse, and forced economies in the use of food, but they have even changed diets in certain localities in the interests of health and efficiency.

A great promotion of new small industries in the western and southwestern provinces is reported. Notable is a new movement, of which something is known in Shanghai, for promoting village industrial co-operative—a plan which has now received support in influential quarters and from which a great deal may be heard in the near future.

Public works are being pressed, particularly with reference to highways which are said to be under construction with fresh energy as result of the growing need for new means of communicating with the outside world. By October, a new railway from Kweiling to Nanning (Kweichow) linking up with Indo-China will be completed. Dike-building work and similar enterprises are being promoted. Research is being made for greater agricultural efficiency, with the result that Shensi has developed and is producing a new grade of cotton, and fruit trees adapted to the soil and climate are being set out.

Health Program

Kiangsi has adopted a 12-point health program and the 15,000,000 people of the provinces are being taxed 30 cents each to raise $45,000,000 to carry it through, this being estimated to represent the former cost of money wasted on quack doctors and superstitious practices (about $2 per family per year). Kweichow is giving two-months training courses for students who, on successful completion of the work, are given jobs in public service. Because of the number of men at the front and the need of productivity, boom employment conditions are reported at many interior points.

Christianity is said to be increasingly popular among the people both because of the endorsements of General and Madame Chiang and others, and because Christian workers are showing tenacity in staying on in dangerous places and in leading the way in constructive efforts. "If this is Christianity," the masses reason, "there must be something to it!"

Typical of the new spirit is the report that in Hankow, riesha coolies after a day's work are doing volunteer evening service in transporting wounded soldiers from the railway stations without charge.

All the foregoing is fragmentary but it adds up to a convincing picture very much different from the spirit of inertia, destruction and despair typical of such areas as Shanghai and Nanking. North China seems to be more progressive but by and large, "Chinese China" appears far more vigorous, hopeful and progressive than any Japanese-occupied area; and far from a defeatist spirit, the spirit is everywhere reported to be one of full confidence in ultimate victory over the invader.

Chiang Announces Youth Regiment

General Chiang Kai-shek, on June 17 at Hankow, in a statement to the youth of China, announced the formation of a "Three People's Principles Youth Regiment," for the purpose of organizing China's young men and women for resistance and reconstruction work.

Hankow's press gave prominence to the announcement of the appointment of 200 Chinese leaders in various walks of life, and of different political affiliations, as members of the People's Political Council, with Wang Ching-wei, Chairman of the Central Political Council, as Chairman, and Chang Po-ling, President of Nankai University, as Vice-chairman.

General Chiang, as commander of the "Three People's Principles Youth Regiment," stated that the purposes of the formation of the Regiment were, firstly to achieve success in resistance and reconstruction by organizing and disciplining Chinese youth; secondly, to centralize the new revolutionary force of the Chinese people; and thirdly, to achieve the early realization of the "Three People's Principles."

It is understood that General Kang Tseh, who played a most active part in the organization of the "Special Service Corps," will assist the Generalissimo in the training of the "Youth Regiment." Communists, Chinese Nazis, the Popular Front, women educationalists, veteran diplomtas and others are represented on the People's Political Council. Among the prominent Communists are Chang Chun-mai and Lo Lung-chi, while the Popular Front members include Wang Chao-shih and Shen Chun-ju. Veteran diplomats are represented by Dr. W. W. Yen, Alfred Sze, Dr. Lo Wen-kan and Kan Chai-hou. Among the educationalists are Dr. Hu Shih, James Yen, Chen Yu-kwan and Chang Peng-chun. The bankers include Chien Yung-ming and Wang Chih-hsin. It is noteworthy that Chang Shih-chao, prominent Shanghai lawyer who was offered the presidency of the Judicial Yuan by the "Nanking Reformed Government," is included in the list.

Outstanding Events in the Sino-Japanese War

A DAY-TO-DAY SUMMARY

First six months of this day-to-day summary con stituting a complete record of outstanding events in the Sino-Japanese war on all fronts has been published in book form.

May 27.—Launching general offensive at dawn yesterday (May 26), Chinese forces smashed through Japanese defences at Lanfeng and completely occupied city shortly after mid-night, according to official Chinese reports. Remnants of Gen. Doihara's Division fleeing northeastward with Chinese troops in pursuit. Japanese troops at Kwangtai, on north bank of Yellow River Bend, reported surrounded by Chinese mobile columns. Position of Kaifeng, Honan capital, eased, following recapture of Lanfeng.

Hankow army spokesman stated that Chinese troops in Hsuchow area all reached their designated positions west of Tientsin-Pukow Railway before May 24, while strong Chinese detachments were remaining east of Hsuchow in vicinity of Haichow, Jihchao and Chuhsien, in southeast Shantung.

Japanese reports state major battle in full swing in blood-drenched Lanfeng area, as Chinese hurled fresh divisions into battle in determined effort to recapture city. Japanese claim Chinese counter-attack beaten off.

Japanese troops, advancing westward along Lunghai Railway from Hsuchow, reported approaching Kweiteh. After occupying Tangshan, Japanese cavalry units reached (May 26) Mamuchi, station east of Kweiteh.

May 27.—Chinese and Japanese troops operating in Central Anhwei opposing each other west of Tashushan, west of Hofei.

May 27.—Japanese troops in Shansi, Suiyuan and Kiangsu withdrawn last month for south Shantung drive reported have returned to their former garrisoned points and resumed offensive.

May 27.—Chinese guerillas attack Nantungchow 80 miles up Yangtsze from Shanghai; Japanese burn farmhouses and shoot peasants as reprisal, according to foreign travellers arriving at Shanghai; gave gruesome accounts of bloody reprisals taken by Japanese against innocent farmers in early part of this month. May 3 described as "horrible day."

May 27.—Resignation of Japanese War Minister Gen. Gen Sugiyama pending. Reported resignation already submitted.

New Japanese Cabinet held first meeting. Premier Konoye urged members to "go ahead and attain Japan's fixed objective in China with renewed determination."

May 27.—J. B. Powell, American newspaperman, urged concrete action by United States to protect its investment and trade in China, in address given at U. S. Foreign Trade Dinner held in Shanghai; said such action must originate with American businessmen in China who are suffering colossal losses in face of onslaught of Japanese military juggernaut.

May 27.—Threat of cholera in International Settlement of Shanghai said grave; many cases reported and seven confirmed. Epidemic rampant in Pootung.

May 27.—Father Jacquinot, French Catholic priest and relief worker, now visiting in United States as representative of International Red Cross in China, called on President Roosevelt.

May 27.—Japanese in China accused of kidnapping Chinese orphans of war, of whom they are making "docile instruments of their politics," stated Mme. Chiang Kai-shek in a letter to Quo Tai-chi, Chinese Ambassador at London.

May 27.—Settlement reached between Japanese and British consular authorities in regard to case in which British subject E. S. Wilkinson was assaulted by Japanese sentries in Hungjao Road area on May 13. Japanese Consul-General S. Hidaka wrote to Herbert Philips, British Consul-General, promising full investigation of case and measures to be taken to secure redress for Mr. Wilkinson.

May 27.—Some 38 Japanese warships concentrated off Kwangtung coast; fears of large-scale invasion of Kwangtung revived.

May 27.—News of Japanese cabinet changes featured by Hankow papers; general belief that new Cabinet indicates army dictatorship, foreshadowing more drastic military policy in China.

May 27.—Opium sales in North China legalized; Peiping "Provisional Government" imposes "General Welfare Tax" of 20 cents on every ounce of raw opium sold.

May 27.—German commercial circles show uneasiness as result of Berlin's recall of German advisors from China.

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May 28.—Some 600 persons were killed and about 900 wounded as result of Japanese air raids on Canton today. Casualty lists probably larger when investigations completed. Main target of raiders Wongsha Station, which lies in heart of densely populated district near Shameen. At least 30 bombs dropped on compound of Station. Passenger train arriving at Station from Hankow completely wrecked. Rescue workers also bombed, 40 killed and 50 injured. Canton city thrown into confusion during raids; panic-stricken crowds surge to waterfronts to obtain shelter which proximity to Shameen (foreign section) affords. Some 40 houses in residential area destroyed; Sun Yat-sen Memorial Hall also hit, causing damage estimated at $30,000.

May 28.—Chinese reinforments arrive at Swatow, prepared to meet any Japanese attempt to invade coast near Fukien-Kwangtung border.

May 28.—Following recapture of Lanfeng by Chinese, Japanese troops commanded by Gen. Doihara are driven to three villages northwest of Lanfeng, namely, Sanyichai, Chuhsintsi and Lowanchai, where they are desperately attempting to hold out. Chinese said to be surrounding the villages where severe fighting in progress.

Yellow River bridge on Tientsin-Pukow Railway, north of Tsinan, Shantung capital, bombed (May 27) by Chinese air squadron in order to prevent movement of Japanese troops and supplies from Tientsin to southern Shantung front.

Menghsien, Honan town on north bank of Yellow River, 30 miles northeast of Loyang, recaptured (May 27) by Chinese.

Japanese claim capture of Kweiteh on Lung-Hai Railway. Japanese troops attacking Kowyang, north-western Anhwei; move believed attempt to drive westward towards Peiping-Hankow Railway.

May 28.—After visiting Lunghai front General Chiang Kai-shek returned to Hankow yesterday (May 27).

War trophies seized from Japanese by Chinese Army on all fronts to be exhibited in Hankow on June 1.

May 28.—Edgar Ansel Mowrer, **Chicago Daily News** staff correspondent on furlough, arrived at Hankow as delegate of International Peace Union. Welcomed by Shao Li-tzu, former publicity director, and Hollington K. Tong, assistant publicity director of National Government.

May 28.—Lt.-Gen. Seishiro Itagaki, Commander of Japanese troops in southern Shantung who participated in battle of Taierchwang, mentioned as Japanese Minister of War in succession to Gen. Gen Sugiyama. Lt.-Gen. Hideiki Tojo, Chief of Staff of Kwantung Army, to be made Vice-Minister of War.

May 28.—Despite fact that City Government of Greater Shanghai is not functioning here, redemption of its 1932 rehabilitation loan is still being carried out without interruption through the British Hongkong and Shanghai Bank.

May 28.—Question of withdrawal of German military advisors from China still undecided; matter awaiting final decision of Gen. Chiang Kai-shek.

May 28.—Sun Fo, Chinese Legislative Yuan President, leaving Moscow for China shortly. Significance seen in simultaneous presence in Moscow of Mr. Sun and Marshal Bluecher, Commander-in-Chief of Soviet Far Eastern Army, now visiting in soviet capital.

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May 29.—Japanese reverses at Lanfeng, on Lunghai Railway, officially admitted in Peiping. Troops commanded by Gen. Doihara had withdrawan northward from Lanfeng and were striving desperately to avoid annihilation.

Hankow reports state Japanese troops driven from Lanfeng, now holding out in three villages northwest of Lanfeng, completely surrounded, the villages being Sanyichai, Chuhsintsi and Lowanchai.

May 29.—Extremely severe fighting breaks out in northern Kiangsu, where Japanese forces are driving northwestward in three columns from Shaopeh, on Grand Canal, Tungtai and Yencheng, on the coast. Purpose of Japanese push believed to clear north Kiangsu of Chinese troops who were ordered to remain in the area after Hsuchow withdrawal for mobile warfare behind Japanese lines; Chinese troops comprise divisions commanded by Gens. Yu Hsueh-chung, Fan Tsung-fu, Han Teh-ching and Sun Cheng.

May 29.—Details of withdrawal of Chinese troops from Hsuchow area given by Hankow papers: Gen. Tan En-po's troops which withdrew from east bank of Grand Canal, crossed Tsin-Pu Railway north of Nansuchow on May 17. Heavy fog and sand storm on May 18 saved Gen. Tang's troops from Japanese airbombing. Gen. Tang's men then marched in direction of Koyang, northwestern Anhwei south of Mengcheng. Gen. Li Tsung-jen and Pai Chung-hsi with Kwangsi troops headed for area south of

Mengcheng. Gen Sun Lien-chung's troops, which fought rear-guard action, withdrew from Hsuchow through Japanese lines via Hsiaohsien, southwest of Hsuchow. Heaviest Chinese losses said suffered by Hunan troops commanded by Gen. Tan Tao-yuan and Honan troops commanded by Gen. Shang Cheng. Gen. Tan reported seriously wounded.

May 29.—Gen Pai Chung-hsi arrived at Hankow from the front, while Gen. Li Tsung-jen remains somewhere in west Anhwei, directing operations.

May 29.—Two hundred fifty Chinese were killed, 450 wounded in two further Japanese air raids on Canton carried out by some 45 Japanese planes. Among points bombed were Central Park, Municipal Government offices, Wongsha Station and Honam Island. Raiders also bombed district where Power station, waterworks and cement works located. Several bombs dropped close to Lin Nan University (formerly Canton Christian College, American missionary institution).

Hankow seriously concerned over Japan's intentions in South China. Measures for strengthening South China defences worked out by Gen. Chiang Kai-shek. Strong defence works on Kwangtung-Fukien border completed.

May 29.—Two Soviet **Tass** news agency correspondents who were with Chinese troops at Hsuchow narrowly escaped death but eluded Japanese troops and arrived at Hankow.

May 29.—Japanese planes comb Shanghai's skies continuously yesterday and today. Annonynous letters received by Shanghai Municipal Council and Foreign Defence Force authorities, warning them of contemplated Chinese aerial bombardment of Japanese controlled areas in and around Shanghai. Chinese Aeronautical Affairs Commission at Hankow denies reports that such letters had been sent.

May 29.—Yu Hsi-chieh, 47-years old Shanghai lawyer, native of Anhwei, recently appointed by Nanking as Director of Salt Revenue Bureau, slain by own bodyguard, Wang Hsiang-ping, who later killed himself.

May 29.—Delegates of puppet Peace Preservation Commissions from 45 different locaties in Lower Yangtsze area under Japanese military occupation held two-day conference at Shanghai under supervision of Japanese military authorities. Peace Commissions to be replaced by **Hsien** administrations.

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May 30.—Japanese airbombers raided Canton again this morning, resulting in more than 100 killed and some 200 wounded. Twenty Japanese planes participated in the attack, dropping about 40 bombs; raiders were met with anti-aircraft fire, but no hits were registered.

Following the raid, public organizations in Canton, Chinese and foreign, cabled messages of protest against the indiscriminate Japanese airbombing to all parts of the world. Messages sent to members of United States House of Representatives read: "Terrible suffering caused by indiscriminate airbombing. For God's sake, can't you help." Gen. Yu Han-mou, Commander-in-Chief of Chinese Forces in Kwangtung province, issued statement, denouncing the wanton and indiscriminate bombardment of civilian population in Canton by Japanese airplanes. More than a thousand Chinese civilians, including women and children, had been killed and wounded during the raids, Gen. Yu declared.

Two British gunboats, the **S. S. Seamew** and the **S. S. Tarantula**, rushed to Canton to reinforce the two already there.

May 30.—Japanese troops belonging to Doihara Division surrounded in villages northwest of Lanfeng, on Lunghai Railway, still holding out, awaiting arrival of reinforcements from Kweiten, according to Chinese military spokesman at Hankow. Because of extensive destruction of Lunghai Railway east and west of Kweiteh, he claimed, it was very difficult for the Japanese to reach Lanfeng.

In Shansi, the spokesman said, Chinese troops were attacking Linfeng and Yungchen (Anyi), on southern sector of Tungpu Railway. Yungchi (Puchow) and Fenglingtu, on north bank of Yellow River opposite Tungkwan, claimed reoccupied.

In Anhwei, the spokesman stated, Chinese forces were counter-attacking Hofei, on west shore of Chao Lake. Severe fighting near Tashushan, strategic hill west of Hofei. Mengchen, in northwestern Anhwei reported recaptured by Chinese.

Occupation of Kweiteh, on Lunghai Railway, by Japanese troops admitted in Hankow.

May 30.—Japanese and Korean convicts, mostly political prisoners, reported to be colonizing large portions of Japanese military occupied territory, according to report appearing in **The China Press.** No exact figures could be given as to the number who have been imported to take over land behind Japanese lines, but known that a large colony has settled in vicinity of Sungkiang; members sleep within Japanese barracks at night and work in fields in daytime.

May 30.—Group of French banks agreed to finance new Chinese Railway running for French Indo-China to Nanning, capital of Kwangsi, according to Paris report.

May 30.—Japanese Government planning vast schemes for control of China's industries; two development companies, for North China and Central China respectively, being formed under direction of Seihin Ikeda, new Finance Minister; Japanese Ministry of Industry sponsoring plan for silk monopoly in Central China.

May 30.—Lt.-Gen. H. Tojo, Chief of Staff of Japanese Kwantung Army, appointed Vice-Minister of War, succeeding Gen. Y. Umezu, who has been appointed to post in zone of Sino-Japanese hostilities.

Officials of Japan Air Transport Company decided to inaugurate direct air service between Tokyo and Central China cities including Shanghai, Nanking and Hangchow on October 1.

May 31.—Fifteen out of 54 Japanese planes raiding Hankow this morning were shot down, 12 at Hankow and 3 at Hukow (about 10 miles east of Kiukiang), according to announcement by Chinese Aviation Headuarters. Fifty Chinese planes engaged the raiders in furious aerial combat at high altitudes. According to Chinese reports, just as the Japanese planes drew near to Hankow suburbs, Chinese planes which had been patrolling high above the city waiting for the raiders swooped down on Japanese formation. Taken by surprise, the Japanese bombers, the reports further stated, immediately fled without attempting to bomb their objectives in Hankow.

Chinese losses included two machines crashed, one of the pilots landing safety by parachute.

May 31.—Planes of unknown nationality (not Chinese) visited southern part of Japan last night, flying over Kyushu island for four hours disappearing in darkness at 1 o'clock this morning. Chinese aviation headquarters denied report that Chinese planes had flown over Japan during the night—thought Russian.

May 31.—Canton again bombed by Japanese planes; raid carried out by five bombers, dropping several bombs in Honam island. Little damage resulted and no casualties reported.

Newspapers in London indignant at Japanese air bombings of Canton; emphasized alleged fact that Japanese planes make no effort to find out their military objectives, but dropped bombs on crowded residential areas.

May 31.—Japanese troops encircled in villages northwest of Lanfeng, on Lunghai Railway, said to be holding out in an area of 21 square miles; Chinese forces report steadily closing in on them. Chiahotan and Yangkatang, two strategic towns between Lanfeng and Sanyichai, on Lunghai Line, reoccupied by Chinese.

Chinese mobile units operating in Shantung said to have reached point south of Taian.

Chinese forces which withdrew from Kweiteh on May 28 now counter-attacking city.

In Central Anhwei Chinese mobile units reported to have entered Hofei, where they were engaging the Japanese garrison in street fighting. Reoccupation of Mengchen, some 45 miles northwest of Pengpu, officially announced in Hankow. Severe fighting at Pohsien (40 miles south of Kweiteh) and Kwoyang (midway between Mengchen and Puhsien); Japanese are said to be making determined attempts to capture these two cities in view of their strategic importance.

May 31.—New Customs tariff schedule, containing drastic changes favorable to Japan, to go into effect June 1 in Shanghai and other Japanese occupied areas in Central and North China, announced by the Japanese sponsored Peiping and Nanking regimes. Revised rates mainly based on 1931 schedule; changes made will benefit Japanese merchants.

May 31.—Vice-Admiral Percy Noble, Commander-in-Chief of British Fleet in China Waters, sailed from Shanghai for Amoy to investigate conditions in port following Japanese occupation and to report same to British Government.

May 31.—Interviewed on question of recall of German advisors, Dr. H. H. Kung stated that a misunderstanding had arisen about the position of these men. They did not constitute a "military mission," but were engaged as private individuals. The German Government had no hand in the formulation of their contract with Chinese Government. Dr. Kung stressed the friendliness of Sino-German relations and urged German statesmen to look to the future.

May 31.—Japanese naval authorities in Shanghai announce that Chinese owned cargo stored in China Merchants' Steamship Company's wharves in Hongkew can now be removed. Applications for removal must be filed between June 1 and July 15.

Significance of the Conflict in the Far East*

IN 1915, Japan, with scarcely a claim of justification, presented to China a series of Twenty-One Demands which, had they been secured in their entirety, would have made China a dependency of Japan. Since then, the world has been aware of Japan's Eastern Asiatic ambitions and of her willingness to disregard the rights of other nations in order that these ambitions may be realized. The acts of Japan since September, 1931, when she began her invasion and military occupation of the Manchurian provinces of China have served to establish still more firmly, and to render practically universal, the opinion that Japan is an aggressively-minded nation; that she is not disposed to allow the rights and interests of other Powers to stand in the way of the accomplishment of her ends; and that considerations of morality and humanity are not to control the means by which these ends are to be attained. This general condemnation of Japan was authentically and formally declared when the Assembly of the League of Nations, in which more than forty nations were represented, adopted its report of February 24, 1933, and the United States declared that it was in general accord with the facts found and the conclusions reached in that report.

Notwithstanding this general condemnation of her acts, Japan continued to extend her military control over additional territories of China, and, since early in July last, has been employing her entire military force in the attempt to bring to full accomplishment her desire to dominate China. Again, through the League of Nations and the concurrence of the United States, almost all of the peoples of the civilized world have declared the guilt of Japan.

Though world judgment has thus been twice rendered, no joint writ of execution has been issued, and, in truth, there have been strong practical reasons why the issuance of such a writ has not been attempted. Nevertheless, it is important that the nations of the world should perceive the extent to which their own interests are involved in the contest now being waged in the Far East even if, for the present, they do not deem themselves in a position effectively to protect those interests. It is with these world interests, involved in the present undeclared Sino-Japanese war, that this article will be concerned.

A considerable number of Western nations, including the United States, have important commercial and financial interests in China, which, beyond reasonable doubt, will be seriously impaired should Japan succeed in bending China to her will. These economic interests are potential as well as already actual, and, in some cases, are supplemented by colonial and other political interests.

Forecasts her Acts

That these commercial and financial interests will be prejudicially affected, if not wholly destroyed, by further Japanese inroads upon China's territorial and administrative integrity was sufficiently indicated by the results that flowed from previous territorial extensions of Japan's authority. But, in order that there might be no reasonable doubt as to this, Japan, in 1934, through the "Official Spokesman" of her Foreign Office, gave notice to the world of her claim to restrict, when she might see fit, the commercial and financial dealings of other Powers with China. This notice was declared to be a "restatement and clarification" of Japan's policy and was sent to all Japanese envoys abroad for their guidance. In the course of this statement the Japanese Spokesman said:

> "We oppose any attempt on the part of China to avail herself of the influence of any other country in order to resist Japan . . . . Any joint operations undertaken by foreign Powers, even in the name of technical and financial assistance at this particular moment after the Manchurian and Shanghai incidents, are bound to acquire political significance. Undertakings of such a nature, if carried through to the end, must give rise to complications that must eventually necessitate the discussion of problems like the division of China, which would be the greatest possible misfortune to China and at the same time would have the most serious repercussions upon Japan and Eastern Asia. Japan, therefore, must object to such undertakings as a matter of principle, although she will not find it necessary to interfere with any country's negotiating individually with China on questions of finance or trade so long as such negotiations benefit China and are not detrimental to peace in Eastern Asia."

It is clear from the text of this declaration that, as to whether or not these financial and trade negotiations, even when carried on by China with individual nations, are to be deemed to come within the prohibited class described in the statement, will be from Japan to judge. Pointing out the significance of the claim of right asserted in this announcement, Mr. William R. Castle, a former Under Secretary of State of the United States, declared in a published article:[1] "The policy as enunciated would certainly seem to make China a vassal State to Japan, to close the door on foreign trade in China, to be a flat repudiation of the Nine Power Treaty of 1922 and, indeed, of all treaties concerning China."

In order that Americans, at least, should not misunderstand the scope of the policy that the Spokesman of the JapaneseForeign Office had declared, the Japanese Ambassador to the United States, in a statement which he authorized *The Evening Star* of Washington to publish, said:[2] "All that Japan demands is to be consulted before any important transactions between the Chinese Government and foreign interests are concluded . . . . Should foreign business overlook this request, the responsibility will fall on the Chinese Government for having overlooked our warnings . . . . Japan must act and decide alone what is good for China. Legitimate business won't be interfered with the by Tokyo Government, but any assistance given to the Chinese which may be considered either to help them to continue their internal wars or to prepare themselves to fight Japan will have to be stopped."

This declaration, it will be noted, was made before the beginning of the present hostilities. It can, therefore be imagined what

WORLD WITHOUT HONOR

Orr in Chicago Tribune

will be the claims of Japan with regard to the control of commercial and financial relations of the Western Powers with Eastern Asia, should she succeed in her present military effort.

It is, of course, right and proper that the nations concerned should have regard for their Far Eastern economic and political interests, and especially is this so since Japan is under definite treaty commitments to respect them. Repeatedly, since 1900, Japan has declared that, in her dealings with China, she will be guided by the principle of equal opportunities and privileges for all nations, and this doctrine, known as the Open Door, was carefully defined and declared and given formal sanction by the Nine Power Treaty of 1922 which Japan signed.

Breakdown of International Law

During recent years the peoples of the world have watched with increasing concerned the disregard by certain powerful and aggressive nations of established principles of international law; the violations by them of treaties voluntarily signed by them; and, in general, the avowal, and, in some instances, the putting into execution, of policies which involve flagrant invasions of the sovereign rights of other friendly and peaceful Powers. Supplementing these acts, the world has seen military operations carried on by inhumane

Condensed from a pamphlet by W. W. Willoughby, Professor Emeritus of Political Science, Johns Hopkins University, by Chinese Cultural Society, New York.

[1] *"Japan's Monroe Doctrine," New York Herald Tribune, May 6, 1934.*

[2] *Issue of April 22, 1934.*

methods and with little distinction made between combatants and non-combatants. Finally, throughout the civilized world, a great increase in armaments is taking place. The aggressive States have subordinated their other national interests to the building up of powerful military and naval establishments, and, in sheer defence, the peacefully inclined States have felt themselves obliged to do likewise.

To this breakdown of the regime of international law and justice, Japan has contributed a large share. Twice, as has been pointed out, she has been formally indicted and brought to judgment before the bar of world opinion. Twice she has been found guilty of violations of established principles of international law and of disregard for her plighted word as embodied in treaties voluntarily signed by her under most solemn conditions, and she is now engaged in carrying out by force actions thus condemned. Sohuld she be permitted to pursue these policies until her ends are attained she will give another blow to the already tottering structure of international order—a blow which may bring it in ruin to the ground and leave the world a prey to international anarchy.

There is still another feature of the tragic situation in the Far East which given concern to the peace-loving and democratically-minded peoples of the world, and causes them to view with apprehension the extension of Japan's sway over additional areas and peoples.

Recent years have witnessed, in a number of important countries, the establishment of systems of government which involve the negation, both in practice and in principle, of the essentials of individual liberty. This spread of autocracy has been accompanied by the adoption in the countries concerned of the doctrine that the State is a political entity which has ends of its own to be subserved —ends which are independent of the welfare of the governed and of such a character that, it is argued, the lives and well-being of the governed may be wholly subordinated to the advancement of the political authority that is over them. Thus, according to this conception, the State becomes a mystical being in whose welfare the personal and intrinsic worth of the individual subject disappears. Human individuals thus become but means for securing the maintenance and increase of the political authority to which they are wholly subordinated. From this political theory there flows the totalitarian conception of the State, namely, that the sphere of governmental control may legitimately, and as a matter of expediency, be extended over every phase of human life—over matters religious and cultural as well as over matters of a more materialistic character.

Power of Military

This elevation of political authority into transcendental realms, and the thereto attaching consequences to the communities directly affected, might be viewed with no great concern by the peoples of other States were it not for two facts. The first of these is that, whether or not necessarily involved in the theory itself, the States that have adopted the theory have vested dominating and controlling authority in the hands either of a single person—a dictator —or of the military branch of the government. The second of these world-disturbing facts is that those peoples which have accepted this conception of political rule, and certainly those in whose hands rests the ultimate controlling authority, are dissatisfied with the territorial extent of their respective dominions and are committed to the doctrine that every possible means may be employed for securing the ends they desire. These states are thus, in their foreign policies, aggressive, and regard themselves as justified, in the pursuance of these policies, in disregarding the restraints imposed upon them by long established principles of international law or by their own treaty commitments. In the light of these facts it can be seen that the existence of powerful States of the character that has been described is a matter of deep concern to other States, and that it is of vital interest that these autocratic and aggressively-minded States should not extend their authority over additional areas and peoples.

The foregoing observations are pertinent to the present situation in the Far East because Japan is to be grouped among the States that have been described, and, indeed, in one respect which will be mentioned, Japan possesses a feature of government which is peculiarly dangerous to other countries with which she may have dealings.

The fact that Japan's civil government is not able to control her own military forces is testified to by the numerous instances, especially during recent years, in which her armies have acted in total disregard of the solemn assurances given to foreign Powers by the representatives of her Foreign Office. Indeed, it has seemed at times as if the military authorities, as a matter of deliberate policy, have sought to show in as overt a manner as possible their independence of civil control. This independence was especially exhibited during the more than two years when the Council and Assembly of the League of Nations were seeking a solution of the difficult situation created in the Far East by the Japanese invasion and military occupation of the Manchurian provinces of China. Time after time, assurances were given by the representative of Japan at the table of the Council of the League or from the rostrum of the Assembly of the League, which, almost immediately, would be disregarded by the Japanese forces in the field.

The fact that the Japanese civil authorities are unable to control the policies and actions of their own military forces necessarily presents a serious problem to all Powers with which Japan has dealings. International intercourse is carried on through the Foreign Offices of the several States. It is between them that communications are exchanged and undertakings given and received. If, however, there is no assurance that a Foreign Office will be able to carry out the policies it has declared or fulfil the promises it has made, negotiations with it are futile, and, in result, other nations are without any means whereby they may enter into understandings or cooperative relations with such a nation. It is true that, notwithstanding the inability of Japan's Foreign Office to speak with effective authority, other nations have continued to deal with Japan as a member of the Society of Nations. This, from considerations of general expediency, they have done, but it would be a matter of reason as well as of right should they say to Japan that so long as her Foreign Office is unable to speak with effective authority, they could not treat with her as an international associate, in other words, could have no formal or treaty relations with her.

Such a step as is here indicated would seem to be an extreme one, and yet it is not as extreme as that sanctioned by the Covenant of the League of Nations—an instrument the provisions of which have been approved by more than fifty of the sovereign States of the world. Article Sixteen of that instrument provides, in certain cases, for the severance by the members of the League not only of all commercial and financial relations with an offending State, but even of personal intercourse between the nationals of the covenant-breaking State and the nationals of any other State whether a member of the League or not. Furthermore, this Article of the Covenant goes on to provide for the application of military as well as of other forms of pressure upon the offending State.

A Stabilized Far East?

One further factor that emphasizes the world importance of the present conflict in the Far East needs to be mentioned. Japan has avowed that it is her intention to continue her armed pressure upon China until a "knock-out" blow has been delivered—in other words, until China becomes completely subject to her will. Japan claims that, when this is accomplished, conditions in the Far East will be stabilized. But will this be so? For two major reasons it is impossible to believe this. In the first place, there is Russia, and if, in the international field one can be certain of anything, it is that Russia will not accept as permanent the situation that will be created even if the Japanese remain satisfied with control over only North China. With Japan and Russia thus in direct contact along an extended boundary line, and Russia's fears for her Eastern Siberian and her Pacific Maritime Provinces heightened, no one can reasonably believe that the situation will be stabilized.

The second major reason for disbelief that the successful imposition by Japan of her will upon China will stabilize conditions in the Far East is the problem that will be presented by a subject China. Whatever other elements of national ability the Japanese may have, it is clear that, as a people, they are without those psychological or imponderable qualities which are needed for successful rule over subject races. They may possess the needed ability to establish a strong police and an efficient administrative system over a conquered people, but, to a marked degree, they have shown an inability so to deal with subject peoples as to render them content with their servitude. But, even should the Japanese exhibit genius in this respect, the task of peacefully ruling China, or a considerable part of it, would be an impossible once. Under alien oppression, however long continued, it is certain that such a great and culturally homogeneous people as the Chinese will not surrender their desire to regain their freedom to live and develop according to the dictates of their own national genius. If Japan should succeed in obtaining dominion over China there will be created, as long as this dominion lasts, another vast aggregate of unreconciled individuals. Thus, instead of making for peace, the world will have inflicted upon it another focus of disaffection, another situation which, until corrected, will strongly tend to provoke war upon a wide scale.

In conclusion, then, let this be said: While China is struggling to preserve her own national life she is also, as it happens, resisting the advance of forces which, if unchecked, threaten the continued existence of factors essential to the maintenance of international law and order. If such an international regime cannot be maintained, the existence of civilization itself will be threatened. The issues at stake in he Far East are thus world-wide in their significance and portentous in their possible results.

Two New Bureaus Created in the State Department

Two new bureaus, recently authorized by Congress, are shortly to be organized in the Department of State at Washington. They will be known as the Bureau of International Communications and the Bureau of Intellectual Relations. Both will be devoted to the co-ordination of efforts on the part of the Government designed to strengthen relations with other countries, particularly South America. A further object, according to Assistant Secretary of State, George S. Messersmith, will be to make a study of "the activities of certain governments in South America, the activities of which have assumed alarming proportions in recent months." Sumner Welles, Under-Secretary of State, conferred with President Roosevelt on the subject on June 25.

ONE YEAR OF SINO-JAPANESE WAR—A REVIEW

(*Continued from page 146*)

Kiangwan, by the Japanese on October 26. The fall of the two villages made the Chinese position in Chapei and Kiangwan untenable. After checking Japanese troops for 76 days, Chinese forces defending Chapei and Kiangwan had to retire from the two areas into new defence positions but the withdrawal was orderly (night of October 26). The Chinese defence line extended from the south bank of Soochow Creek to Liuho on the Yangtsze. Following the withdrawal of the main Chinese force, a "lone battalion" held out in Chapei for four days, attracting wide attention. The Battalion finally evacuated Chapei on Oct. 31 upon receipt of orders from General Chiang Kai-shek.

to the Chinese City in Nantao (South of Shanghai). After continuing bitter fighting for three more days, during which Nantao was subjected to severe artillery and aerial attacks, the last Chinese units evacuated Nantao on the afternoon of November 12. This mark-the end of large-scale hostilities on this front.

Toward the end of November, the Japanese drive on Nanking was well under way, having captured in quick succession the main towns on the Nanking-Shanghai Railway, including Soochow, Wushih, Kiangyin and Changchow. By Nov. 29, the Japanese Army converged on Nanking by four routes. On Nov. 20, the National Government officially announced removal of the Capital from Nanking to Chungking, Szechwan province. On Nov. 26, Lin Sen, Chairman

VENERABLE GENTLEMEN MAKE UP THE PEIPING PUPPET REGIME

Recent picture of the "Provisional" Government which the Japanese have established in Peiping. Wang Keh-min, 63-year old leader of the group is third from the left. Practically all were members of the old corrupt Anfu clique ousted from office in 1919, They have since resided in the Japanese concession at Tientsin or in the Japanese leased zone at Dairen.

In Northern Shansi, the Japanese captured in the middle of October, the strategic Pass of Yenmenkwan, thus opening a way for their drive on Taiyuan, capital of the province. On the Peiping-Hankaw Line, Japanese forces advanced into North Honan. Following their capture of Niangtzukwan, important pass on Hopei-Shansi border and gateway to eastern Shansi, the Japanese vigorously advanced towards Taiyuan from the east along the Chengting-Taiyuan Railway. On the Tientsin-Pukow Line, the Japanese penetrated into North Shantung, having occupied the first important Shantung city of Tehchow.

While the Chinese forces were holding out south of Soochow Creek, an important and, as subsequent events proved, decisive development occurred in the military situation on the Shanghai front on November 5, when Japanese marines succeeded in landing near Chapoo on the north shore of Hangchow Bay. This development, an unexpected flanking movement, constituted a serious threat to the entire position of Chinese troops in the Shanghai area and on the Shanghai-Hangchow Railway. With the fall of Sungkiang, important station on the Shanghai-Hangchow Line, on November 9, Chinese forces in Western Shanghai had to effect a withdrawal to new positions some 8 kilometers west of the boundary of the International Settlement. Chinese troops which had defended Pootung for 88 days also evacuated and were transferred

of the National Government, arrived at Chungking and announced that offices of the Government would commence functioning on December 1.

In November, the Japanese made important gains on northern fronts. On Nov. 7, they entered Taiyuan, Shansi capital. By middle of the month, they were pushing towards Linfeng, southern Shansi, where the Provincial Government had been moved. On the Shantung front the Japanese advanced to the northern bank of the Yellow River and prepared for a drive on Tsinan, Capital of Shantung. Operations in South China during the month were, as in October, confined mainly to isolated naval and aerial attacks.

In the second week of December, the position in Nanking became extremely precarious. On Dec. 7 Gen. Chiang Kai-shek left Nanking by airplane for an unknown destination. On Dec. 8, severe fighting broke out in the outskirts of the capital. After withstanding vigorous Japanese attacks for a week, Chinese defenders finally evacuated Nanking on Dec. 13, which was immediately followed by entry of Japanese troops. Gen. Chiang Kai-shek declared that the withdrawal did not mean the end of Chinese resistance, but only a shifting of scene of hostilities.

During the five months of hostilities in the Shanghai Nanking area, two major incidents involving two Third Powers occured. On August 26, Sir Hughe M. Knatchubull-Hugessen, British Ambassador to China, was seriously wounded by Japanese airbombing and

THE VICTORY AT TAIERCHWANG!

Upper left-The National Flag planted on the Ruins of Taierchwang. *Above*,-Chinese troops in a final drive on the Japanese positions. The Chinese column (left) is marching up to the front. *Lower Left* - Chinese riflemen on the job in individual dugouts, a strategy which defied Japanese air bombers and machine gunners.

existence. On Dec. 5, the so-called "Ta Tao (Great Way) Government" was formed in Shanghai. On Dec. 14, the Peiping "Provisional Government" was established.

Japanese entry into Nanking was described by *New York Times* correspondent as a "national disgrace," as it was attended by an orgy of massacre, incendiarism looting and rape. The reign of terror lasted for many weeks following Japanese occupation and still continues in many places. In the defence of Nanking, the Chinese sustained a loss of nearly 20,000 men. The battle was one of three major engagements, the other two being the battle for Tai-yuan and the battle at Shanghai. They all were serious battles, but not decisive ones.

Important developments on other fronts during December included Japanese occupation of Hangchow (Chekiang Capital) on the 24th and the fall of Tsinan (Shantung capital) on the 27th. In Northern Kiangsu, Japanese captured Yangchow and advanced beyond Pukow along the Tientsin-Pukow Railway.

HITLER'S PEACE OFFER

In the first week of December, the German Ambassador, Dr. O. Trautmann visited Gen. Chiang Kai-shek at Nanking and conferred with him on possible

machine-gunning, near Wusih while travelling from Nanking to Shanghai. On Dec. 12, the U.S.S. *Panay* was bombed and sunk by Japanese planes on the Yangtsze near Hohsien, 50 kilometers upriver from Nanking. On the same day, British gunboats *Ladybird* and *Bee* were also fired upon by the Japanese artillery in the vicinity of Wuhu.

As the Japanese were consolidating their positions in occupied areas in Central and North China, two puppet regimes came into

peace between China and Japan. Gen. Chiang was said to have told the German envoy that peace was impossible so long as Japanese forces continued to exert armed pressure on China. Both Japanese and Germans apparently thought Chinese authorities would accept the terms in order to save the National Capital from capture.

On January 2 of this year, it was revealed at Hankow that Japan had presented six peace terms to China through the German Ambassador. The terms as reported included conclusion of Sino-Japanese economic alliance; China's adherence to the anti-Comintern pact; stationing of permanent Japanese garrisons in China; creation of demilitarized zones in areas specified by Japan; formation of an independent government in Inner Mongolia and payment of war reparations to Japan.

Fall of Tsinan and Pukow made it possible for the Japanese to start a drive on Hsuchow, strategic junction city of Tientsin-Pukow and Lunghai Railways, from both north and south. On the southern sector of the Tsin-Pu Line, the Japanese made little progress in January, but on the northern sector they had captured several important towns, including the strategic city of Tsining, southwestern Shantung. Fall of this city brought the Lunghai Railway within striking distance of Japanese.

Alarmed by developments in southern Shantung, the Chinese high command at Hankow decided to enforce stern discipline on delinquent officers and reorganize the defence of the area. Gen. Han Fu-chu, Shantung Chairman and Commander of the 3rd Route Army, was arrested, taken to Hankow and was executed on Jan. 24 on charges of disobeying orders and retreating without authorization. Following the execution of Gen. Han, all Chinese forces in the Tsin-Pu Railway Zone were unified under the command of Gen. Li Tsung-jen, Kwangsi military leader.

The attitude of the Japanese Government was greatly stiffened following the occupation of Nanking. On January 16, the decision reached at the Imperial Conference on Jan. 11 that Japan would henceforth refuse to deal with the Chinese National Government was officially announced. On Jan. 18, Prince Premier Konoye re-affirmed the government's attitude in another statement. In view of these circumstances Hsu Shih-ying, Ambassador at Tokyo, departed from Tokyo on Jan. 20.

AMERICAN ENVOY SLAPPED

On Jan. 26 John M. Allison, 2nd Secretary in charge of the American Embassy, was slapped and insulted by a Japanese sentry. Two days later, the Japanese army spokesman at Shanghai declared that Mr. Allison "could have been shot," for his refusal to obey orders of the Japanese sentry. Mr. Allison had entered a gate which the sentry was guarding.

Fighting raged unabated on all fronts during the month of February. There was little change in the military situation on the Tsin-Pu line, but in Shansi and Honan the Japanese made further advances. Linfeng, in southwestern Shansi, provisional capital of the province, was captured on Feb. 27. On the Peiping-Hankow Line, the Japanese pushed to the northern bank of the Yellow River opposite Kaifeng, Honan provincial capital.

An important development in connection with activities of the Chinese air force was a raid on Formosa on Feb. 23, the first raid conducted on any part of the Japanese Empire.

HITLER INSULTED CHINESE

Adolf Hitler, Dictator of Germany, angered at China's refusal to accept the peace terms "cooked-up" by the German and Japanese general staffs, delivered a violent speech in Berlin (Feb. 21) in which he charged the Chinese with "mental and material weakness," due to their refusal to join the German-Japan-Italian anti-communist pact. Hitler announced his intention to recognize the puppet state of Manchukuo.

VICTORY AT TAIERCHWANG

Taierchwang is a small town on the northern bank of the Grand Canal, east of the Tientsin-Pukow Railway, in southern Shantung near the Kiangsu border. On March 31, the little town was converted into a "burning hell," as Chinese and Japanese troops locked in furious hand-to-hand street fighting amidst the blazing buildings. The Japanese claimed occupation of the town, but the Chinese still held a large portion of it. In the first week of April the Chinese forces launched a fierce offensive against the Japanese and on April 7, they scored their first important victory over the Japanese. Some 7,000 Japanese troops were slain and over 700 taken captive. The main Japanese force was routed and had to beat a hasty retreat. China's victory at Taierchwang marked the first major defeat of the Japanese Imperial Army in China and for a time turned the fortune of war in southern Shantung. The victory was celebrated all over the country and greatly enhanced the confidence of the Chinese authorities and improved the morale of the Chinese people generally.

Another Japanese puppet regime called the "Reformed" Government of the Chinese Republic was formed at Nanking on March 28.

General Chiang Kai-shek, was elected on April 1 by the Kuomintang Congress at Hankow as "Tsung Tsai" or General Executive of the Kuomintang, thus being accorded practically dictatorial powers.

BATTLE OF HSUCHOW

In the latter part of April, the Japanese recovered from their defeat at Taierchwang and resumed their offensive on the southern Shantung front. At the beginning of May, Chinese positions on the Lunghai Railway east of Hsuchow were seriously threatened. A Japanese renewed drive on Taierchwang, however, was effectively repulsed.

As the battle of Hsuchow developed in the second week of May, the Japanese Navy (May 10) launched a surprise attack on Amoy from air and sea. Severe fighting lasted for two days, after which the entire Amoy island was occupied.

The situation in the Hsuchow area became serious on May 12, when the Japanese launched determined attacks on the Lunghai Railway from both north and south. On May 14, the Lunghai Line was cut at a point west of Hsuchow. Meanwhile Hsuchow was subjected to severe aerial bombardments. The Chinese position at Hsuchow immediately became critical. On May 19, the Japanese occupied Hsuchow by an advance from the south.

The fall of Hsuchow, as subsequent events proved, was a hollow victory for the Japanese as the Chinese forces in the Hsuchow area which the Japanese had intended to surround were all safely withdrawn without suffering any serious loss. The Japanese themselves expressed disappointed at the results of the battle. The news of fall of the city was received quietly in Japan. The *Japan Times* said "Undeniably the Japanese people were surprised to learn that when our troops reached Hsuchow there were only a thousand Chinese soldiers to offer resistance."

AIR RAID ON JAPAN

Overshadowing in general interest the developments in Hsuchow, fall of which was expected, was the first Chinese air raid on Japan Proper on the morning of May 20. Two Chinese bombers took part in the raid, flying over Kyushu, Osaka and Sasebo, dropping thousands of leaflets but *no bombs*.

In the latter part of May, the Japanese practically gained complete control of the eastern sector of the

Lunghai Railway from Haichow to Kaifeng and simultaneously pushed toward the Peiping-Hankow Line with a view to driving on Hankow. But just as the Japanese launched their attack on Chengchow, junction city of the Lunghai and Ping-Han Lines, the floods from the Yellow River intervened and blocked their advance in the vicinity of Kaifeng. The unexpected development completely upset Japanese plans and forced them to abandon their attempt of advancing on Hankow along the Ping-Han Railway.

Following reorganization on May 26, the new Japanese Cabinet with Gen. K. Ugaki as Foreign Minister, Gen. Itagaki as War Minister, Gen. S. Araki as Education Minister and S. Ikeda as Finance Minister, decided upon a policy of "intensification" of the China campaign. This policy involved a Japanese determined advance on Hankow and extension of hostilities in South China. On May 28, the Japanese naval air force inaugurated a reign of terror at Canton by wanton and indiscriminate aerial bombings of the city. Between March 28 and 31, several thousands of Canton's civilian population were killed or wounded. Despite universal denounciation, the airbombing of Canton was intensified after the beginning of June.

As the war entered the 12th month the Yellow River flood blocked the Japanese advance in Honan and compelled to Japanese to shift to the Yangtsze valley. A large number of Japanese warships and transports was concentrated on the Yangtsze and troops were landed on both banks in the vicinity of Anking in a determined drive on Hankow. On June 12, the Japanese succeeded in landing at Anking, capital of Anhwei province, from which point they pushed towards the Anhwei-Hupeh border. But again they were checked by Yangtsze floods. Japanese troops landed on the southern bank of the Yangtze in the last week of June were reported to have advanced to the neighborhood of Matang where a boom had been built across the river. The Japanese, according to latest reports, were driving on Hankow in four columns, but as the month drew to an end, none of these columns has made any significant progress.

Developments in South China during the month were mainly featured by continued Japanese airbombing of Canton and Swatow, and the railways connecting with Hongkong and Hankow. The Japanese navy also launched operations against Hainan Island. The Japanese charged that France had been giving China military assistance and announced that they would occupy Hainan Island thereby menancing French Indo-China. As a result of the Japanese threat, Franco-Japanese relations became strained. Armed conflict however, between the two countries, was regarded as unlikely.

Thus, comes to a close the record of Japan's first year of war in China. During the year, China has suffered terribly in human and material loss, but Japan has made no lasting gain. The National Government and the National Army, which the Japanese Imperial Forces have sought to destroy, are stronger than they were at the beginning of hostilities. China is determined to continue resistance and the people are confident of their ability to win ultimate victory.

C. H.

Shanghai Telegraph Office to Be Re-Opened

Refusing to cooperate with the Japanese, all Chinese employees of the Shanghai Telegraph Office at the corner of the Szechuan and Foochow Roads left for Hankow and other cities in the interior, after the withdrawal of the Chinese troops from the vicinities of Shanghai, the *Wen Hui Pao* reports. The telegraph office was then taken over by the Japanese and their puppets. For several months, the office was closed as the Japanese have found it impossible to carry on the business without Chinese staff members.

Recently, workers were seen repairing the building and it is reported that the office will be re-opened in the near future by the Japanese.

Japan May Not Pay for Foreign Losses in China

Hinting at a possible refusal of the Japanese Government to pay compensation to third-party nationals in China for their losses during the present Sino-Japanese hostilities, the Tokyo Foreign Office on June 24 issued a lengthy statement reviewing past international practice in the matter. While the document was issued with the label "for information," Tokyo observers tended to see in it an unofficial indication of Japan's intentions in the question.

Precedents were cited tending to show that the British and American Governments adhered to the theory that foreigners who entrusted their property to a country which had no ability to protect it and compensate them for their losses were not entitled to make a demand on another country for compensation. The American bombardment of Greytown, now known as San Juan del Norte, in Nicaragua on July 13, 1854, and the shelling of Copenhagen by the British fleet in 1807, the latter an "attack made on the capital of another country without either a declaration of war or any warning whatever," were cited. In the Greytown bombardment the United States rejected a French demand for compensation.

"In the light of the precedents of international law regarding the status of the third Power nationals residing in either one of the countries in conflict, even in cases where there exists no more than a war in effect," the statement declared, "nationals of the third Powers residing in either one of the countries in conflict have their status stipulated by the rules and regulations governing belligerency like any other private individuals of the country wherein they reside. Regarding the question of compensation for losses, they are subject also to the rules and regulations governing belligerency. Thus in principal they must be regarded as having no more than the status similar to that of any other private individuals in the country of their residence, according to the above mentioned rules and regulations.

American Precedents

"Such precedents have been set by the United States. Under circumstances wherein there does not, according to international law, exist a state of war, America maintains that there is no responsibility on her part to pay compensation for the losses inflicted by her Navy upon the nationals of third Powers and that the responsible party in that case was the country wherein those nationals resided. This view of the United States Government was expressed in connection with the bombardment of Greytown in Nicaragua, now known as San Juan del Norte, in 1854. Another precedent is the British Government's attitude with regard to the bombardment of Copenhagen in 1807. The bombardment of Greytown took place on July 13, 1854.

"The French Government demanded from the American Government compensation for the losses sustained by the French nationals as a result of the bombardment, contending that it was physically impossible for the foreign merchants in Greytown to save their properties before the bombardment began. The American Government refused the demand, stating as one of the reasons that foreigners in such a case should demand from the country wherein they reside the protection to which they are entitled, and that there is no principle more clearly established than the one which held that, for whatever losses resulting from lack of such protection, the country of their residence should be held responsible.

Cites British Act

"To reinforce the argument the American note cited several precedents, including the case of the Copenhagen bombardment. The note stated that the bombardment of Copenhagen by the British fleet in 1807 was an attack made on the capital of another country without either a declaration of war or any warning whatever. But no claim was made by any third Power on the British Government for compensation for the losses sustained by its nationals. The American note further emphasized that in view of the precedents those foreigners who entrusted their property to a country which had no ability to protect and compensate were not entitled to make demands on another country for compensation for the losses of their property.

"If the principle advanced by the French Government were accepted in international law, the American note pointed out, it would lead to very dangerous consequences."

Chinese Consular Invoices

Regarding inquiries made concerning Chinese consular invoices, the American Chamber of Commerce reported this week that they had received the following information from the American Consul-General Lockhart:

"It is not believed that the recognized government of the Republic of China has yet revoked its requirements regarding consular invoices. It does not seem improbable that failure to obtain invoices from Chinese consular authorities abroad might give rise to protests or even punitive action on the part of the recognized government of the Republic of China. However, if American firms do not consider it desirable to secure Chinese Consular Invoices when they are in practice no longer demanded to cover shipments into certain ports of China the decision would appear to rest with them. I may add that it is not the present intention of the consulate general to take any action in this matter."

China's War Finance

SINCE the beginning of the Sino-Japanese hostilities, the subject of Japan's financial staying power has been receiving increasing attention, Kurt Block recently wrote in the *Far Eastern Survey*. Although Japan has deemed it necessary to interrupt publication of quite a few important statistics which might have added to knowledge of Japan's war economy, he stated, still the material available is fairly ample to allow continuous critical observation of her economic and financial trends.

The case of China is totally different. Even in normal times, the statistical and other source materials on China's finances were scarce and incomplete. Since the outbreak of hostilities only very little has been published to show how the Hankow Government manages its fiscal affairs. Nevertheless, on the one hand there has grown up a legend of a China able to finance her warfare for a much longer period than Japan; and on the other, Japanese authorities have occasionally stated their belief that China would be unable to carry on he resistance against Japan for a period longer than two years.

In the following discussion of China's financial war resources, inferences will often have to take the place of reliable statistical information. It seems possible however to arrive at least at certain tentative conclusions. Nearly all of them tend to show that though Chinese war finance does not rest on very ample supplies of foreign exchange reserves nor on very sound fiscal policies, yet it seems likely that financial weaknes, may be overcome. China's military strength is accompanied by a supply of financial reserves sufficient to maintain it at around the present levels of efficiency for a long period.

There are clearly two different kinds of financial resources in China's war economy which call for separate treatment: (1) China has to face the problem of how to balance her international accounts, heavily moving against her on account of her need for foreign war supplies; and (2) she has to face the problem of how to secure domesitc funds sufficient to pay for goods and services claimed by the Chinese Government from its subjects, in so far as they are now requisitioned. In its turn the problem of China's international accounts is really twofold. On the one hand, China, in her stock of silver, gold and foreign exchange disposes of a fund available for purchase abroad; on the other hand her current economic dealings with suppliers and customers may require current outpayments or may yield current surpluses of additional international funds for her national war against Japan.

At the beginning of the Sino-Japanese hostilities China's fund of silver, gold and foreign exchange had been split up in five different portions: the funds held by each of the four authorized banks of issue as reserve against their outstanding notes, and the so-called Exchange Equalization Account. When in October 1934 the National Government increased the silver export duty and introduced a special silver equalization charge on exported silver, the amounts paid to the customs, in accordance with the added charges, wers ordered to be remitted to a newly created Exchange Equalization Fund. For the three and one-half years since the establishment of this fund, both its operations and its amount have been clouded in dark secrecy. The duties levied on exported silver have been changed repeatedly, and no reliable calculation of the total collected for the Exchange Equalization Fund is possible or available.

Such a calculation is made the more difficult by the silver deals concluded between the United States Treasury Department and the Chinese authorities. No statements have ever been issued to show how much silver has actually been taken over by the United States Treasury. Nor has the price been made public at which these quantities of silver changed hands.

High Price for Silver

It seems, however, that the silver deals between the United States Treasury and the Chinese authorities have been so comprehensive that little Chinese silver has been sold in the open market since the deal was first initiated. It is also apparent that the price paid the Chinese authorities has been higher than the price they could have secured in the open silver market. The difference between the domestic value of Chinese silver and the price paid by the American authorities has accured to the Exchange Equalization Account, as the selling banks have been credited only with the domestic exchange value of their bullion.

The total amount of silver handled by the Chinese financial authorities since the currency reform of November 1935, has been given by both Chinese and Japanese authorities as roughly Ch.$1,200,000,000, and it seems likely that this figure refers to Chinese silver dollars of the weight prescribed before China went off silver in 1935. At a price of U.S.$45 per ounce of silver, the total would roughly equal U.S.$430,000,000. Part of the silver shipped may actually have fetched still better prices. Practically all of this silver has been shipped out of China, subject to the export charges. Most of it has been sold already to the United States Treasury, some of it in the open market, while some seems to be kept in London and Hongkong awaiting shipment to America as its ultimate destination.

The amounts collected for the Exchange Equalization Account by the export charges and the amounts accruing to the same fund by favorable treatment at the hands of the Treasury Department, may total as much as U.S.$70,000,000. It does not seem likely that any of the amounts diverted into the Exchange Equalization Account are still available at the present time. But in trying to assess China's financial resources, it is important to realize that an amount of such magnitude has been available in this fund to satisfy foreign exchange needs, before it became necessary to make use of the foreign exchnage reserves held by the Chinese banks of issue as a reserve for their outstanding currency notes.

Under Chinese law there are at present four banks entitled to issue legal tender currency banknotes: the Central Bank of China, the Bank of China, the Bank of Communications and the Farmers' Bank of China. Their published monthly statements on the amount of notes outstanding and currency reserves held in silver, gold or foreign exchange have regularly shown that they hold the prescribed sixty percent of their toatl obligations incurred by the issue of notes.

Japanese Guess

Naturally doubts have been expressed whether these statements could possibly be true. The Chinese foreign exchange position was summarized in February by Japanese authorities as follows: At the beginning of the hostilities China held a currency reserve —evidently including Exchange Equalization Account—of Ch.$1,200,000,000. Of this amount, roughly Ch.$50,000,000 have been used monthly to pay for war supplies, that is, an aggregate of Ch.$300,000,000 while another Ch.$300,000,000 were needed for the repayment of and for interest on foreign loans. This would leave no more than Ch.$600,000,000 of currency reserves available, while the Chinese banks' statements show more than one billion of foreign exchange reserves held by the banks.

The basic assumptions in this Japanese guess at the Chinese currency situation do not seem to be very far from the truth. But certain points are doubtful. While it seems likely that Chinese imports of war materials have been of the size indicated by the expenditure of Ch.$50,000,000,000 per month, there is a possibility that at least part of these purchases had been prepaid by Chinese authorities through deliveries of raw materials under the terms of the German-Chinese barter agreement. Another part of the purchases from Germany probably did not require immediate cash payment, as the same agreement provides for the shipment of raw materials to Germany at a later date. Furthermore, the Ch.$300,000,000 needed for the servicing of foreign loans include not only the comparatively small amount due on bonded indebtedness, but also amounts needed to repay foreign commercial funds that were normally revolving in the China trade, and have now been withdrawn in accordance with the shrinkage of China's foreign commerce resulting from the war. The total Japanese figure would also include the flight of capital from China that has assumed rather considerable dimensions.

Thus, if the Japanese estimates have led them to think that similar developments were likely to exhaust China's financial resources in the near future, they have neglected to see that some important outlays which use up sizeable amounts of foreign exchange are of a nonrecurring nature. On the other hand their conclusion as to the present total of Chinese foreign funds, is considerably strengthened by the decrease of funds held for Chinese account abroad. Through adroit bookkeeping the Chinese banks of issue may be enabled to go on reporting undamaged foreign exchange reserves.

In view of the apparent impairment of China's foreign exchange and silver reserves, her current accounts in international trade are of special importance. China's balance of payments in ordinary times has been very peculiar. During the period China has been a developing country needing imports of capital, millions of Chinese have been participating as capitalists and laborers in the development of other Far Eastern countries and regions bordering the Pacific Ocean. Like other immigrants they have remitted a large share of their earnings and profits back to the home country, partly to support needy relatives, partly to purchase and develop real estate, and partly to accumulate deposit balances with Chinese banks that used to pay higher rates of interest than other Far Eastern banking institutions. The total amount reached by these remittances annually has been the subject of much dispute. It is possible that their total in 1936 reached no less than Ch.$400,000,000.

It was this inflow of funds that generally enabled China to pay for her large unfavorable balance of trade. The decrease during the great depression initiated the downward trend of Chinese economic life that reached its climax with the deflationary effects of the silver boom in 1933 and 1934.

It seems to be agreed that prior to the present hostilities the larger share of these remittances was destined to go into investments, only the smaller portion being intended for the relief of poor relatives of the emigrants. While the state of war lasts, it is of course unlikely that any remittances for investment in war-torn China are being made so that now the larger portion of the usual overseas remittances is probably being retained by the successful Chinese business men overseas. In fact even though relief remittances to relatives may have increased and special collections of funds for the prosecution of hostilities have been made everywhere

among the overseas Chinese, it is unlikely that these additional remittances have sufficed to offset the decrease in total overseas remittances.

Foreign Commodity Demand Drops

China's trade statistics for the months of warfare show an export surplus. In part this export surplus is indicative of the above-mentioned withdrawal of foreign commercial credits from China. Stocks normally held by the use of such credits in Shanghai and elsewhere have been liquidated, swelling for a short time China's export trade. Accordingly part of the credits withdrawn were repaid not by recourse to China's currency reserves, but by shipment of commodities. On the other hand, was materials shipped into China have probably not been fully covered by the statistics of her foreign trade.

This development of China's foreign trade towards an export surplus is partly the resulte of the territorial losses incurred in the course of the hostilities. The coastal fringe of China, that is, the hinterland of the North and Central China Treaty Ports, constitutes the richest section of the country with the greatest density of population, with the exception of the Hankow and Canton regions. It has also been the center of luxury consumption—giving of course the term "luxury" a very broad interpretation—and the seat of manufacturing industries employing foreign raw materials for dometic consumption. The loss of this region and the widespread destruction and poverty resulting from warfare have thus eliminated the source of China's normally strong demand for foreign commodities.

The counterbalancing factor here has been the fact that quite a few typically Chinese raw materials, the export of which has diminished, have risen so much in price as nearly to offset the quantitative reduction of sales. Examples of this are antimony, tungsten (wolfram) and tung oil (wood oil). Thus, it does not seem impossible that even now China's current accounts yield a balance which, added to the rest of the original reserves still left, may assist to help her carry on and maintain a steady inflow of war supplies, at least as long as communication facilities are available.

The fact that China, like Japan, is trying to secure foreign loans is easily comprehensible. There has been no announcement as to the terms of payment for the delivery of Russian airplanes and other Russian armament supplies to China. But it does not seem impossible that these terms provide for deferred payments by the Chinese Government. Similarly in Britain there seems to be some interest in granting loans to China; for lately the British Government announced in the House of Commons that it did not object to credits being extended to China. Such loans are naturally dependent on the reliability of the Chinese Government from the credit standpoint. This may explain why up till now the Chinese authorities have maintained the service of both its domestic and its foreign indebtedness at the level agreed upon either by the original loan contract or by subsequent agreement. In addition public opinion in the world generally is inclined, after nearly ten months of war, to view the chances of survival of the Hankow Government of China more favorably than at the beginning of the Sino-Japanese conflict. Thus, paradoxically, China's credit for the maintenance of her national resistance may depend, to some extent at least, on temporary successes of her arms.

The above survey of China's international resources clearly indicates to what extent the outside observer has to rely on inferences rather than figures in assessing China's financial ability to carry on prolonged warfare. But it seems admissible to conclude that with initial resources considerably smaller than those of Japan, she has had to waste them on warfare in about the same proportion as her enemy, though nonrecurring factors involved her in higher expenses. In other words China's ability to hold out financially is probably not much less than Japan's, and may even be greater.

China's second problem of how to secure domestic funds sufficient to pay for goods and services claimed by the Chinese Hankow Government from its subjects is also rendered very difficult by a total lack of figures. In the three fiscal years 1933-34, 1934-35 and 1935-36, China's national accounts showed an average annual deficit of about Ch.$200,000,000. These deficits were usually met by borrowing, the customary procedure generally being hypothecation, with subsequent sale of domestic government bonds to the Chinese banks. During all the years the National Government at Nanking exercised China's national sovereignty, no public issue of bonds was attempted, until, in the fall of 1937, the $500,000,000 Liberty Loan was offered for public subscription.

Expenditures Cut

China's loss of customs revenue is likely to amount to one-third or even to one-half of the normal revenue of about Ch.$330,000,000. Her loss of salt revenue is difficult to estimate, especially since in some parts of the country salt taxation seems to have been increased lately. But the total loss of normal customs and salt revenue may amount to from 200 to 250 million Chinese dollars annually. So far no new national taxes have been levied, excepting a change in the interport duty which since November of last year has assumed the nature of a general business turnover tax. The yield of this additional taxation may eventually amount to around 75 to 100 million Chinese dollars annually.

Up till now, the net loss of revenue has been made good by the so-called Liberty Loan, unsatisfactory though its result may appear. With roughly Ch.$250,000,000 subscribed mostly by the public, this loan certainly has served to brigde the wide gap between national requirements and the poor yield of taxation. Another factor in the situation is the decrease in expenditures. Dr. Kung has asserted that unnecessary expenses have been cut down sharply, and there is little doubt that outlays for education, for subsidies to provincial administrations, and for many so-called "reconstruction" activities have been curtailed by sizeable amounts. Furthermore, the fact that the provinces continue to pay provincial troops employed at the front may have served to reduce the war burden on the national treasury.

The chances are that the extra funds needed by the Hankow Government have come from direct borrowing from the banks. This means not only the four big government banks of issue. There are also numerous provincial banks with limited privileges to issue subsidiary notes of small denominations, that is, notes of ten, twenty, twenty-five and fifty cents.

It seems unlikely that loans of considerable amounts could be granted the government by the banks unless such loans were coupled with the right to issue additional banknotes. Chinese currency management has paved the way for such additional banknotes issues, by the general blocking of bank accounts ordered the very day hostilities broke out in the Shanghai area. With the creation of wei-wah money of restricted use, the velocity of monetary circulation was naturally greatly reduced. In the interior of China, deflationary pressure, combined with the disturbance of all the Chinese markets, grew so strong that special measures have been taken to alleviate the acute shortage of credit.

Thus additional circulation of banknotes on a moderate scale seems feasible without causing inflationary effects of a serious nature. There is no evidence up till now that the Chinese Government has actually embarked on such a course of inflation. It is certain, however, that sooner or later it will be forced to take inflationary measures, since there does not seem to be any other method of war finance available. The point here to be remembered is that inflation as a measure of war finance, in one or the other of its many possible forms, has been a normal means of warfare for centuries in practically every country of the world, Japan herself having gone quite a few steps in this direction already. While China's foreign reserves last—and it appears they may last for quite a while —her domestic fiscal problems are likely to be solved and not to prove a stumbling-block to her policy of national resistance.

Gunmen Active in Shanghai

In the past fortnight, Shanghai has witnessed at least six attempts on the lives of Chinese believed consorting with Japanese "government-makers," a number of which have been successful. With a period of 24 hours, from June 24 to June 25, three shootings had taken place in which seven men were shot, two of them dying.

Those who have been assassinated are Jen Pao-an, head of the "Land Bureau of the Reformed Municipal Government of Shanghai," on June 18, by two gunmen who entered a restaurant at 435 Foochow Road, and shot him down; and Koo Shing-yi, a leading member of the Japanese-sponsored Shanghai Citizens' League, who was killed by a band of four gunmen, at Lane 25, Rue Montauban, June 25.

Those who escaped death after being a target for gunmen's bullets are Yue Chueh-sen, member of the Japanese-sponsored Chinese Civic Association, who was wounded June 10 after being fired upon on Jinkee Road (Yue's Russian bodyguard was killed); Wu Zung-yu, lawyer, alleged to be connected with Japanese in the operation of gambling dens in Hongkew and the Western district, who was not in his office when shots were fired, the bullets killing one assistant, wounding another; L. F. Woo, K. Y. King, S. T. Kuo and Y. Y. Yen, believed servants of Yue Chueh-sen, fired upon in a room at the Sun Sun Hotel, June 24, and a Japanese waitress, wounded allegedly by two Japanese civilians, in military uniform, on June 24. Wounded also last week was K. H. Dih, treasurer of the Tung Fang University, by men described as "political assassins."

Alleged pro-Japanese gunmen on June 27 in Tientsin, counted for the life of Chunta T. L. Chao, councillor of the British Municipal Area of Tientsin and principal of the large Chinese Kunghsueh School situated in the British area, who was a prominent Nationalist sympathizer and an influential leader of Chinese residents. Police nabbed the two gunmen after Chao was murdered.

Recent bloody terrorist attacks in Shanghai were perpetrated by henchmen of Mao Tse-tung, noted Communist leader, the Japanese Shanghai *Mainichi* has charged. Acting on secret instructions of the Military Affairs Commission in Hankow, the paper said, Chu Chueh-shih and Wu Ta-teh, described as "influential subordinates" of Mao, recently arrived in Shanghai with ample funds for anti-Japanese and terroristic acitvities.

In a hide-out in the French Concession they plotted "many anti-Japanese acts," the paper asserted. The pair was reported to be trying to circulate anti-Japanese propaganda among Chinese employes of cotton mill operated by Japanese districts west and east of Shanghai, while attempting to obtain military information through these workers, the journal stated. Assistant "propagandists" were said to have been appointed by them to operate in the cotton mill areas, the daily claimed. Weekly confabs are held by the plotters in Frenchtown, the *Mainichi* said.

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Chungking, Mother to China's Orphans

BY C. Y. W. MENG 孟昭泳

UNDER heavy summer rain, and led by twelve teachers and amahs, the first and second groups (about 200 children) of the homeless and parentless children from war districts arrived at Chungking in the afternoon of May 31 with the third group due in a couple of days later, making a total of 500 children to be taken care of in the Municipality of Chungking. In an expression of their sympathies, children in Chungking belonging to the "Children Service Corps" organized by the New Life Movement Association, "Children Corps" organized under the auspices of Pao Yu Hui or the Child Welfare Association (Readers must not confuse this association with the National Child Welfare Association in Shanghai, organized by Dr. H. H. Kung some years ago) and children of all other primary schools all turned out and lined up on the shore to welcome the newly-arrived brothers and sisters.

As soon as they set foot on shore, the welcoming party played the "national salvation song" and instantly responded to by these 200 children. All of them then proceeded to the Wan-Shou-Kung or the "Longevity Palace" where they are now temporarily quartered. But before stepping into the gate of the Longevity Palace, many children of the welcoming party whose age is comparatively

American Ambassador Nelson T. Johnson is pictured with refugee children who have fled to Hankow in advance of Japan's drive up the Yangtsze River.

older than the new comers, were already waiting there, and they at once embraced the younger ones mostly under six years of age. "Brothers," "Sisters," as they called each other, were the heart-touching words of greeting.

These children were at once greeted by a party of newsmen. But our interview with them proved heart-rending! "My papa and mama were killed during the aerial bombardment of the enemy!" "My papa and mama were lost in the war zone!" "My papa and mama were killed, and my brothers and sisters, etc. were scattered, and could not be found!," etc. were the most common answers to our inquiries. One 4-year old boy in describing his family condition said that "I have three brothers, two of them are now in military service, and owing to their inability to earn a livelihood, my papa and mama sent me to here." Another youngster said that "China is my papa and China is my mama, and here is my home." But in nine out of ten cases in answering our questions, their tears ran down from their cheeks! Some elder ones emphasized that "we must beat down the dwarf devils (Japanese)," after describing the terrible sufferings of himself, of his parents, of his brothers and sisters and of the people of his own village now in the hands of the invaders.

Interviewed, Miss Chao Mou-hua, the only woman member of the Legislative Yuan, and now chief in charge of the work in Chungking to take care of the child refugees, told me that among 200 newly-arrived war orphans, there are 184 boys and 16 girls. With exception of one girl whose age is 16, most of them are from 11 to 12, while some of them are only six years of age. In Hankow there are some infants but none of them could come to Chungking at present. These children mostly came from Shantung and Honan, while the third group consists of children largely from Anhwei. "There are still 3,000 more children gathered from the war districts along the Lung-Hai Line. But owing to the interruption of the railway, they are being held up there," said Miss Chao. Asked if there is any danger to these children who constitute almost 80% of the total children so far rescued from various war districts, Miss Chao said that "they are at present under the care of the workers of the Pao Yu Hui."

Care of Children

I understand that at present there are about 1,000 children from various war districts under the good care of the Pao Yu Hui at Hankow. Chungking where the first branch of the Pao Yu Hui is located, is assigned to take care half of this number, and will be another center of this war time service. It is also reported that plans are already being formulated to establish the second branch in Kunming (Yunnan Province) and the third branch in Kweiyang (Kweichow Province) so as to accommodate about 20,000 unfortunate children.

The Longevity Palace, once only a temple of medieval type, is now converted into child welfare administrative offices, dormitories and class rooms. When 200 children first arrived, they were given each one suit of cotton clothing, one mat and one bedding. They were divided into "10 brigades" of 20 each. When the third group of children comes, all of them will be examined and classified into different classes according to their age and knowledge. Babies from 1 to 3 years of age will be classified as the "infant section"; from 3 to 6 to kindergarten grade; and from 6 to 10 and up to the primary school grades. While those large enough will be organized as boy scouts and girl guides, those of strong enough will be given military and war time training.

At present there are about 42 teachers, mostly women. They are all members of the "Service Corps of the Teachers of Primary and Middle Schools from the War Districts of Kiangsu and Chekiang," organized by the Ministry of Education. They were sent to Szechuen to assist in the undertaking. There are, in addition, about 22 other amahs who have all undergone special training before. I understand that members of the "Service Corps" are now being distributed to such places where their service is needed. They are all enthusiastic and patriotic social workers, and they receive no salary except the scanty "livelihood allowance" alloted by the Ministry of Education.

On the day after their arrival, children of Chungking were hosts at a reception party given to the new comers. As usual many speeches were delivered by the children of the welcoming party, and many responses were made by the children of the guest party. While the former laid special emphasis on the fact that "we are now all on the common front—to drive out the enemy and to reconstruct the nation," the latter uttered that "let us fight hard to recover the lost territories and 'to fight to return to our native home." It may be remembered that this slogan was first voiced by the North-Eastern Army under the command of General Chang Hsueh-liang which refused to fight with the former Chinese communists in the North-West but wanted to fight the Japanese, for they desired to return to their native land in the North-Eastern Provinces (Manchuria).

This thought, transposed into music, has become one of the most popular songs in the country.

Asked who did the rescue work in saving so many children from various war districts, Miss Chao told me that at present two parties of the workers are busy at work, one being the "Service Corps in the War District," one of the organizations promoted by the people in the country to assist the armies in the present war against Japan; and the other being the workers of the Pao Yu Hui, organized and promoted by Madame Chiang Kai-shek and other leading women in the country.

$1,000,000 Needed

Asked where the funds for supporting such activities come from, Miss Chao answered "through the financial campaign conducted by the members of the Pao Yu Hui." I am told that each member of the Pao Yu Hui is held responsible to solicit contributions of no less than $60, a sum which is supposed to be the minimum to support every child refugee for a year. At present the Pao Yu Hui has only $200,000, but is planning to take care

about 20,000 children from the war districts. That is to say, they are short of no less than *one million dollars!*

So far as the branch Pao Yu Hui in Chungking is concerned, it is given only $2,500 monthly to cover up all expenses. Fortunately, this time these 500 children enjoyed free passage from Hankow to Chungking, and all their comforts were provided by many individuals and charitable organizations. But as time goes on, more children will come, and as winter comes, more funds will be needed to provide these children with a meagre living.

But being at war with the aggressor of the East, it is natural that money and every ounce of energy of the Chinese masses must go to war, and hence they may not be able to spare much effort to take care of hundreds of thousands of children from various war districts. Therefore, it is necessary for people all over the world to have a share in this humanitarian undertaking to save as many children as possible. Remember, these children are now rendered homeless and parentless.

Local 4th of July Celebration

Elaborate preparations for the Fourth of July celebrations by Shanghai Americans have been completed. Although there will be no general community reception this year, the consul-general, Frank P. Lockhart, is holding an official reception at the Columbia Country Club for officials and other invited guests. Admission will be invitation only. The daily's celebrations will get under way at 8.30 a.m. when the flag-raising ceremony and the regimental parade, under the auspices of the Fourth Marines, assisted by other American defense units, takes place on the Polo Field, Recreation Grounds, Bubbling Well Road. With the compliments of Mr. and Mrs. Lockhart, American flags will be presented to all children attending the affair. The American Club will hold its annual open-house between 12.30 and 1.30 p.m. to its members and their guests. At 3 p.m. the annual base-ball game between the Fourth Marines and the Shanghai Amateurs will get under way at the Race Course, and this event is open to all. No admission will be collected.

At 5 p.m. the annual polo game between two American teams, the "Cowboys" and the "Troopers," will begin on the Polo Field at the Race Course. The teams will be competing for the British 4th of July Cup. At this affair, too, there will be no admission charge. At 9 p.m. the American Country Club will begin its annual display of fire-works to which members of the club, their families and children, will have access. After the fireworks, the Country Club will hold its 4th of July Ball, with buffet supper. Members and guests will attend this affair.

Six American Missionaries Return to Soochow

Six American missionaries left Shanghai by train and automobile June 28 for Soochow where they will take up residence and resume their work which came to a complete standstill when the city was evacuated last year. The party which includes three women, represents the first foreign group to be allowed by Japanese authorities to live in Soochow since the Nipponese occupation of the town in November last year. Meantime, permission to return to Soochow, it is understood, has also been obtained for nine other American missionaries. This latter group is planning to leave here sometime next week.

Members of the party who left June 28 are: the Rev. R. T. Henry, of the Methodist Episcopal Church, South, Dr. J. C. Thoroughman, Miss Sara Glenn of the same organization, Dr. M. P. Young of the American Presbyterian Mission (South), Miss Blanche Groves and Miss Helen Yates of the Southern Baptist Mission. The return of the mission party followed an investigation trip undertaken more than a week ago by Henry and another mission executive to study the conditions in Soochow. Arrangements made by Henry with the Nipponese authorities in Shanghai and Soochow resulted in the issuance of permits allowing the mission workers free passage en route and to stay in the city.

While details of the plan for resuming various mission activities in Soochow remain to be worked out when the party arrives in the city, it was revealed here that health and clinic work will be started as soon as a skeleton staff and the most needed equipment can be assembled. Mission executives here believe that with the approach of the hot weather, considerable preventative and curative medical work is urgently needed in Soochow in order to prevent a severe outbreak of summer disease epidemic.

The party who left this week included two doctors, Dr. Thoroughman and Dr. Young and one nurse, Miss Clenn. A small quantity of medical supplies for the use in the hospitals was taken along by the group. At the same time, the returning missionaries will also try to arrange for the resumption of other church and relief work in Soochow. Following the completion of the investigation trip in Soochow a week ago, mission authorities told *The China Press* that some 240,000 of the original 300,000 population of Soochow have returned to the city.

Watch The Fruit Your Children Eat.

Fresh fruit is good for children, but it is very important that care should be exercised in choosing the fruit, for the delicate internal organs of little children are easily upset when it is under-ripe, over-ripe or damaged.

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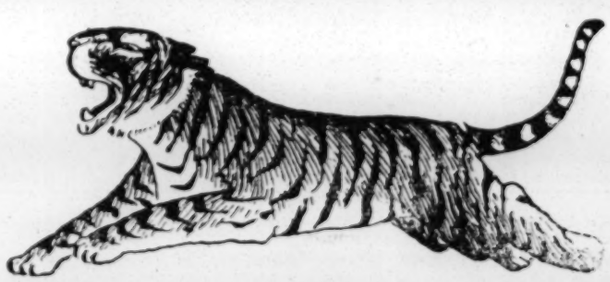

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Dawn of a New China

One year of war has given China, if nothing else, a new spirit, perhaps long smouldering—a spirit which Japan did not reckon with when she opened her war on China soil last July. The spirit finds its expression in the respect for government and the will to resist Japan. And it is a feeling which is not localized to any one spot but is finding vents throughout the length and breadth of the nation. So rapid is its growth and so intense is the fervor with which it is being applied that, outside of the traditionally sluggish Shanghai, it becomes almost a religion. Japan knew at the beginning she would find resistance, although not of the fine caliber given, but she did not know she would have to fight a united China, where young and old, strong and feeble, coolie and official, are determined to eject Japan off every inch of Chinese territory. One of the most militant provinces in this respect, is Szechuan where the "New China" is being nurtured.

BY HIN WONG

WHAT is known as the Cantonese spirit, the willingness to do more than one's share in public and private life, is being manifested everywhere in Szechuen and other parts of west China, because of the presence of more and more of the compatriots of Dr. Sun Yat-sen in this section of the country. Every school, large and small, and all government offices which have found it advisable to depart from the war zones, contain their quota of Cantonese, or persons originating in either Kwangtung or Kwangsi. Despite their imperfect Szechuanese dialect, Cantonese students have gone into interior towns and villages, conducting mass patriotic demonstrations in favor of national unity against foreign aggression.

PHYSICALLY FIT, HAPPY!

Chinese young women students at the University of Szechuen, Chengtu, members of the athletic team and "Huang Chung-foo."

Huang Chung-foo, a former Tsinghua University athlete and a gradauate of the Springfield School of Physical Education in America, represents pretty well the Cantonese spirit. Strong and tall in physic, he is seeing to it that more and not a few well benefit by physical training.

As chairman of the Department of Physical Training at the University of Szechuan, a national institution of higher learning, Huang is also director of athletics. While interested in track and field events and games, something which he has himself excelled in, and the students he had trained, as shown in a recent track meet at Chengtu, Huang believes that individual development should be emphasized. At the University of Szechuan in the ancient palace at Chengtu, Huang is fast putting up a gymnasium with apparatus similar to those in America and Europe but built entirely by local effort, skill, and materials. Should this apparatus be imported from the United States, it would cost the University a great deal; but under the direction of Huang, what would have to be imported at gold $100, can be made in Szechuan for local currency $25 to $30. Huang is satisfied that sportsmanship, one of the things he and other physical directors in China are trying to promote among the youth and the public, is fast being exhibited and accepted. Recently, Bishop R. A. Ward of Nanking, now a temporary resident of Chengtu, remarked in a sermon that he was glad to notice in a recent track meet in the Szechuan capital, that all participants in the races finished his rounds, knowing full well that the decisions had been made.

Encouraging Sports

According to Huang, many of the games and sports he had enjoyed while in America, and now also occupying the interest of many young men and women in the missionary institutions, are too expensive for the present Chinese generation. He is trying to introduce games in which an average Chinese family, including parents and children, may take up, in view of Chinese living conditions. Huang is encouraging every man and woman student under him, to participate in some sports or games which they could continue to enjoy individually even after leaving school. To train a few athletes who would represent the University favorably in public contests is no problem, according to the athletic instructor; the need of the hour in China is able-bodied men and women. How to maintain a physically strong nation at all times depends on the habits of the people, and he believed that teachers in charge of physical training in schools have a special mission.

Besides the desire for physical fitness, China's new spirit is finding other means of expression among all classes of citizens in China's western provinces. One and all are determined that China will eventually smash Japan.

In Chengtu, on the back of every ricksha, originated by an American missionary in Japan, one notices such slogans as "Oppose the enemy to the end!", or characters to that effect. Playing his part in wartime economy a coolie, when suddenly called upon to work, now takes, his cigarette from his mouth and put it into that of another, instead of throwing it away.

Many children in Szechuan and other places these days are trying to save a cent a day in order to raise a million dollars by the beginning of 1939 for an air squadron for the Chinese Army. Of course, not every child has an allowance form which something may be saved; but all contribute small amounts. Szechuan straw sandals are not only durable but also inexpensive, and many youngsters have decided to substitute them for stockings and shoes, so that they may do their part. Little girls these days behind China's "life-line" are proud of their coarse, hand-made, native cloth blue gowns.

Profiteering Discouraged

Farmers in west China these days are being made to produce more, but merchants are discouraged from taking too much profit from their fellow countrymen. The government is sending agents out to the fields to assist in agriculture, including irrigation and animal husbandry, so as to increase crops by at least one-third; while, beginning October next, merchants making a profit of more than ten per cent, will be required by the provincial authorities of Szechuan to contribute from 30 to 60% of thier earning to war funds.

Szechuan has since the war drafted more than 120,000 from its able-bodied citizens for national service, and it is dispatching 220,000 more, some being already on their way marching on the desert part of the time while going from Chengtu, Szechuan, to Paochi, Shensi, others on wooden junks proceeding down the Yangtsze. Travelling between Chungking and Chengtu on work trucks and going out of the Szechuan capital city gates on sight, seeing trips, one may notice regiment after regiment on their way to somewhere on the war front. They are all equipped with modern arms and new uniforms.

On May 17th the public of Chengtu held a memorial service in honor of their war dead since August 13th last, and mothers of every home that morning had to rise early in order to dress their young ones for the parade to follow the public worship. Not only did they gladly do it, but also they later participated, as many of them have friends or relatives on the honor-roll, in ceremonies before tablets in the Temple of Loyalists, ancient heroes who had defended the country against a foreign foe.

The parade, consisting of contingents of many public and private organizations, schools and army details, marching two units abreast, took nearly two hours to pass a given point. One of the inspiring sights was that both kindergarten children and grandmothers of large homes also participated. Some women had to be assisted by younger ones in the line. They were in ceremonial dress, the same costume in which by custom they would be dressed when their turns come to go the way of their beloved and heroic relatives whose joint tablet they that day escorted to the city's hall of fame.

In connection with the memorial service for the Szechuan dead on the east and north China war front, including a number of senior officers, Mr. Lin Sen, General Chiang Kai-shek, and many other Chinese leaders have sent scrolls of respect and condolence. Children from local schools, however, only sent cartoons and wall-newspapers, sheets volunteering information and expressing sectional opinion. One of the pictures drawn by a little girl attracted no little attention. It was a very simple one, showing a father selling liberty bonds, mother at home sewing for the comfort of a Chinese soldier on the front, sister serving as a Red Cross nurse, and brother taking up arms.

Rice Sales to Outports Stopped

Confronted with a dwindling stock of rice, which has sent the price of the cereal to $13.80 a picul, the Shanghai Rice and Bean Merchants' Guild June 24 banned the exportation of rice to outports. Total stocks now in Shanghai are about 400,000 piculs, Chinese reports said. Certificates from the guild are necessary before rice can be shipped to outports. The issue of these permits has been suspended because the price of rice has neared the $14 per picul mark, the reports added.

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Japan's War Economy*

NOW that public opinion in Japan is prepared for a protracted struggle in China the question of the country's financial ability to carry the war burden assumes increasing importance. The hope of wearing Japan down, of precipitating some kind of financial and economic collapse, is one of China's main hopes in prolonging resistance, as few realistic Chinese anticipate military victories, except perhaps in small-scale partisan warfare. During a recent trip to China I heard a Chinese, discussing an unsuccessful Japanese air raid, make the following exultant reckoning: "It cost the Japanese at least $20,000 in bombs to plough up a few holes in the ground which we can fill up for $20."

If Japan's war economy is to function smoothly two major problems, one internal and the other external, must be solved. The first is the digestion of an imprecedented quantity of new Government bonds. The second is the maintenance of equilibrium in the international balance of payments without further depleting a gold reserve which has already been drawn on heavily. Japan's ordinary Budget for the fiscal year 1938-9 was fixed at the figure of 2,867,797,000 yen. (The yen has now been stabilized for several years at the value of approximately 1s. 2d.) Revenue is a little over two thousand million yen, borrowing to balance the ordinary Budget amounting to about 690,000,000 yen.

But this Budget is completely over-shadowed by a mammoth war Budget of 4,850,000,000 yen, which has just been authorized by the Diet. Of this sum 4,450,000,000 yen is to be raised by the flotation of new loans, the remainder being covered by tax increases. When one adds to this prospective bond flotation of 4,450,000,000 yen the 690,000,000 yen which is contemplated for new loans in the regular Budget and a further sum of over one milliard yen which was authorized for borrowing last year, but has not yet been raised, the prospective increase in the Japanese national debt exceeds the staggering figure of six milliard yen. This is equal to the entire amount of increase in the national debt between 1931 and the end of January, 1938, a period of lavish spending and consistently unbalanced Budgets. Between 1931 and the present time the Japanese national debt rose from 5,900,000,000 yen to 12,189,000,000 yen.

International Payments

Yet, rightly or wrongly, Japanese financial experts seem to be less concerned with this vast prospective increase in internal bond flotations than with the question of keeping the balance of Japan's international payments in order. They maintain that an increase in internal debt can always be "managed" somehow without any consequences more deleterious than a moderate rise in the cost of living, which, for some classes of the population, will be compensated by high war-time wages and profits. What has helped to stave off the process known in Japan as "malignant inflation" (as distinguished from a moderate rise in prices) is the tendency of the funds created by new bond issues to revolve within a very narrow circle. The money raised by the annual sale of bonds to the Bank of Japan and to ohter large banks has mainly gone into the pockets of munitions industrialists. They have put their profits into the banks, which have thus been able to absorb more bonds. Optimists here believe that this same process, on a larger scale, can be repeated in the coming year, and that nothing more serious than a gradual upward trend in prices need be apprehended.

More concern is felt about the international balance of payments. Official opinion is strongly opposed to further depreciation of the yen, on the ground that this would serve no useful purpose and would increase the cost of the raw materials which Japan must obtain from abroad. In order to maintain the 1s. 2d. rate an excess of payments to foreign countries over receipts from these countries must be avoided. Here Japan faces several handicaps. Exports for January were down by about 18 per cent compared with January, 1937 and, for several reasons, an even sharper rate of decline may be expected for the whole year. Diversion of factories from peace-time to war-time production, higher costs of production, difficulties in obtaining raw materials because of the stringent restrictions imposed on import trade, boycotts in various foreign countries—all these factors are adversely affecting Japan's export trade. At the same time there is an irreducible minimum of imports of raw materials and supplies essential for the prosecution of the war, such as scrap-iron, petrol, lead, and nickel.

Japan's solution for the economic problems which have arisen as a result of the protraction of hostilities far beyond original calculations is to proceed on a pay-as-you-go basis, financing the additional unproductive war imports out of decreased consumption at home. Indeed, there is no alternative to this policy; for foreign loans and credits are out of the question at a time when primary Japanese Government obligations are quoted far below par in London and New York. Gold cannot be thrown into the balance, because Japan's heavy exports of gold, totalling 830,000,000 yen during 1937, have brought the country's gold reserves to a dangerously low level. A sum of 801,000,000 yen in gold is maintained as a theoretical currency reserve (the yen has long been inconvertible) and is still more necessary as an emergency fund in case the war sould assume more serious proportions. Apart from this, it is doubtful whether Japan has more than two hundred or three hundred million yen worth of gold at its disposal. Japanese investments abroad are valued at 1,500,000,000 yen; but these could scarcely be realized at face value in the event of a general liquidation.

Restricting Imports

So what Japan is doing is restricting her imports, month by month, to a figure approximately equal to epxorts, plus newly mined gold. Gold production both in Japan proper and in Korea is being vigorously promoted: and an outupt of approximately 20,000,000 yen a month is hoped for in the current year. This restriction of imports means that the domestic consumer will suffer, both in quantity and in quality. While all industries which minister to the prosecution of the war are booming, there is a noteworthy reduction in the output of goods designed for civilian consumption. The rates of curtailment of production which were being enforced in some leading peacetime industries in January, 1938, were as follows:—Cotton yarn 49.5 per cent, rayon 55 per cent, woollen yarn 60 per cent, Portland cement 65 per cent. This reflects both the shortage of imported raw materials and the decline of ordinary building which has set in since the outbreak of hostilities.

So far as the present war is concerned, Japan seems bale to carry on indefinitely with its existing economic and financial resources. The greatest difficulties would rather seem to lie ahead, when the physical and psychological war-time controls are loosened and the Japanese people come to realize that the chief fruit of victory is a markedly reduced standard of living.

The entrance into the war of some stronger Power or the imposition of drastic sanctions would alter the economic picture which has just been outlined to Japan's disadvantage. But Japan's leaders believe that the anti-Communist Pact offers a check on the likelihood of Soviet or British intervention on China's behalf. As for sanctions, Japan certainly would not back down, because any Cabinet which yielded to such open foreign pressure would most probably be machine-gunned out of existence. The Japanese reply to strong sanctions would almost certainly be raids on those islands and countries of South-eastern Asia which are within striking distance of the Japanese Navy and which contain valuable raw material.

It is highly doubtful, in view of the rapid mounting of Japan's debt and the mortgaging to war needs of its productive capacity, whether means can be found in any near future to carry out the large-scale schemes of industrial development in North China which are so glibly canvassed in the Tokyo press. The first phase of Japanese domination of north China and the Lower Yangtze Valley may take the form of infiltration of Japanese goods; and even in this field the prospective profit is considerably diminished by the war-time devastation and confusion and consequent loss of Chinese purchasing power.

By the Tokyo correspondent of the Manchester Guardian.

Japan's Biggest Airport Opened on June 10

Japan's biggest airport, covering 245 acres and completed after two years of work, was opened on June 10 at Yonago in Tottori Prefecture. The air field, which was started in 1936, will be used as a stopping point for planes flying between Tokyo and Hsinking on a four hour and a half schedule. Yonago is located in central Japan. The airdrome is on the shores of the Japan Sea. It is equipped with wireless telegraph facilities, two hangars, a motor factory, oil depot and other buildings constructed with donations from residents of the prefecture to the Ministry of Communications. Pilots will be trained at the airdrome under the direction of the Aviation Bureau of the Ministry of Communications.

Puppets Ask $300,000 Exchange Taxes

Finding the managements of the Chinese exchanges stubborn in their attitudes toward the plan of resuming business, the "Reformed Government" has decided to reduce the rate of taxation, according to well-informed circles. The Chinese Cotton Goods Exchange has been approached by representatives of the "Reformed Government" to re-open for business and the latter has proposed to charge $300,000 instead of $600,000 as tax. If the exchange fails to re-open in the near future, it is reported that an independent cotton goods exchange will be organized by the "Reformed Government."

British Warships Asked to Paint Awnings

Press reports alleging that the Japanese authorities had demanded the painting of British warships on the Yangtsze red were categorically denied last week by a Japanese naval spokesman here. It was suggested to the British authorities, he said, that the awnings on the warships be pianted a "distinctive color, such as red" to permit an easy identification of neutral vessels. The spokesman pointed out that flags painted on the awnings are more difficult to discern that a blotch of plain color. This principle, he pointed out, "lies behind the idea of camouflage."

Who's Who in China

李宏錕號劍鳴
Li Hung-kun

Li Hung-kun, Government official; born at Santai, Szechwan, 1890; graduate of a military institute in Szechwan; served successively as Brigade Commander and Division Commander in Szechwan Border Defence Force; Division Commander in the 22nd Army; Deputy Commander of the 20th Army; Garrison Commander of Chengtu, provincial capital of Szechwan; Chief-of-Staff with the rank of Lieutenant-General in the Headquarters of the Director-General for Rehabilitation of Szechwan and the Headquarters of the Commander-in-Chief of the Szechwan Bandit-Suppression Force; now, Mayor of Chungking; conferred the rank of Lieut.-General by the Ntaional Government; address: Municipal Government, Chungking, Szechwan.

International Train Leaves Hankow

In overcast, sticky weather the special "International Train," carrying a party of 189 foreigners of various nationalities, left Wuchang station, Hankow, the morning of June 28 for Kowloon. The train, whose coaches were liberally covered with English, American, French and German flags, was to pick up a further 20 passengers at Changsha. From there it proceeded south, crossing the loop-line connecting the Canton-Hankow and Canton-Kowloon Railways, without touching Canton proper. The "International Train," of whose journey both the Chinese and Japanese authorities have been notified, was to arrive at its destination about noon on Thursday, June 30.

Catholic fathers nad sisters, missionaries, Russian "taxi dnacers," and a party of Indians, their womenfolk colorfully robed, all thronged the platform, making an unforgettable picture. One tragic picture was that of a Catholic sister who had to be carried to her compartment on the train on a stretcher, while an American sailor hobbled to his place on crutches. The Fox Movietone cameraman, Eric Mayell, and several other photographers and correspondents were present as well as officials of the Foreign Residents Association, who were repsonsible for the organization of the special train.

A large party of German advisers were supposed to take the train, but none went on board. It is believed that they had either postponed or cancelled their trip. Despite the evacuation in what was probably the last organized effort, it is emphasized in Hankow that several hundred foreigners remain and that, whatever fate may be in store for Hankow, it is most unlikely that they will be seriously endangered, as every reasonable precaution has been taken for their safety.

U. S. Protests New Slapping Case

The United States Government has made representations to the Japanese Government regarding the alleged "slapping" of Mrs. Thomas Massie, wife of Lieutenant Massie, by a Japanese sentry. The incident is believed to have taken place in Tsingtao. Lieutenant Massie was involved in the Honolulu "honor slaying," case.

American Officer Shot

A *Havas* dispatch from Washington reports thta the navy department was informed June 28 of the death of F. H. Gilmer, commander of the U.S.S. Tutuila. The dispatch said that Gilmer was killed by a gun shot while on board his vessel. A *Reuters* report from Ichang said that the officer was accidentally killed while bathing at Ichang.

Power Firm to Be Established

The China Central Hydraulic Power Company, formed to rehabilitate the power industry in Central China, was to be formally inaugurated in Shanghai on June 30 with a capital of Yen 5,000,000. Representing Japanese interests, Heiyemon Kimura, Vice-President of the Kyushu Hydraulic Power Company, was to attend the inaugural meeting of the new concern in Shanghai. Three Japanese members of the board of directors are to include Setsu Aoki, head of the Kawgaoe branch of the Tokyo Electricity Company; Kiyoshi Suto, President of the Shanghai branch of the China Development Company, and Katsumi Horiyd, former Director of the Waterworks Bureau of Yokohama. Saburo Fujita, chief of the Tsurumi Generation Plant of the Tokyo Electricity Company, will be appointed Chief Engineer of the Company.

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Men and Events

James R. Young, correspondent in Tokyo for Hearst's *International News Service*, has returned to the United States on vacation.

Admiral Harry E. Yarnell, Commander of the U. S. Fleet in the Far East, departed last week aboard the U. S. S. Isobel on a trip to Nanking and other Yangtsze ports.

F. M. Ferrar, former Spanish Consul in Shanghai, who recently has been acting as Consul for Venezuela, announced that the Venezuelan authorities had decided to close the Consulate on July 5.

George Bourne of Bills Motors, agents for Ford cars and trucks, returned to Shanghai this week from a vacation in the United States. F. P. Bills, president of the Company, departed this week for the United States.

W. G. MacDonald of the general passenger department of the Dollar Company, departed this week for the United States. A. C. Miccia, manager of the wharf department, also departed for the United States.

Dr. Tao Hsin-tze, Chinese educator who has been in the United States for sometime, is scheduled to arrive in Hankow this week to attend the National People's Council to which he was elected a delegate.

According to the *Sin Wan Pao*, Italian merchants in Shanghai have sent a strong appeal to Mussolini requesting assistance due to falling off in China's purchases of Italian materials, particularly artificial silk, cigarette paper and hardware.

Sir Robert Calder-Marshall departed from Shanghai on Monday of this week for Hongkong to attend a meeting of the Board of Trustees of the British Boxer Fund. The meeting was scheduled for July 2.

Miss Martha Lindstrom, member of the faculty of the American school at Kikungshan, Honan province, summer resort for Hankow, passed through Shanghai on her way to the United States on vacation this week. Miss Lindstrom lives at Duluth, Minn.

The Italian Government has appointed Marchese Francesco Maria Taliani de Marchio Ambassador to China in place of Signor G. Cora, who has been appointed to a new post in Rome. The new Ambassador has been Minister at the Hague since 1932.

George Morrison Williams, 65-year old American citizen, dropped dead of heart trouble at the corner of Honan and Tientsin Roads on Tuesday evening, June 28. Mr. Williams arrived in Shanghai last January and since has resided with friends. He is survived by relatives in Berkely, California.

James Mills, traveling correspondent for *Associated Press*, who is now in India, wrote friends in Shanghai that twelve hundred American gobs who visited Bali recently, were shocked when they observed the famous Balinese girls "who wear considerably less than Gandhi." Mills was in Bombay on June 6 on his way to Afghanistan, Persia, Palestine and the Balkans.

Mrs. Herman Liu, whose husband, Dr. Herman C. E. Liu was murdered by gangsters connected with the Japanese puppet Ta Tao municipal government sometime ago, has gone to Hankow to attend the conference of the People's Political Council, scheduled to meet the first week in July. Mrs. Liu is one of the ten women delegates elected. Dr. Liu was president of Shanghai University.

C. O. Danenberg, a British subject, was arrested in the French Concession and was brought before the British Police Court on a charge of stealing various articles valued at $1,000 from Dr. C. A. Soondora, a young Siamese physician educated in London. It was alleged the property consisting of money, clothing, a banking code and a passport, was taken at the Yangtsze Hotel last March.

Major-General James G. Harbord, Chairman of Radio Corporation of America, who was in Shanghai sometime ago, sailed from Tokyo on Saturday, June 19, after a month's tour of Japan and Manchukuo. While in Japan, Gen. Harbord held numerous conferences with government officials concerned with communications. Gen. Harbord went to Australia to attend an international conference on radio and returned home by way of the Far East.

Miss Pilar Campos, daughter of Mr. and Mrs. Pedro Campos of Manila was in Shanghai this week on her way home from The United States where she spent a year in school in Detroit. She was accompanied by Miss Peggy Bruel, a classmate, who will visit in Manila for several months. While In Shanghai, Misses Campos and Bruel were the guests of Mr. and Mrs. L. R. Schinazi. Pedro Campos is president of the Bank of the Philippines and a leading businessman of the Islands.

Four Chinese were arrested by the Japanese police in Dairen on June 25 and charged with smuggling war materials into China. Two escaped and are still at large. Meterials confiscated consisted of chemicals from which gunpowder is manufactured. According to the report the Japanese police attempted to stop a truck loaded with the materials on June 6 but the police were knocked out and the smugglers escaped. It was claimed the smuggling has been going on since November, 1936, the materials presumably being smuggled aboard junks which transported them to the Hopei and Shantung coasts. The chemical were sold by Japanese stores in Dairen.

Sun Fo, President of the Chinese Legislative Yuan, who has been in Europe for several weeks, and who recently made a second trip to Moscow to interview officials of the Soviet Government has decided to postpone his return to China, according to a *Reuter* report from London on June 25 stating that Mr. Sun is in Paris but would proceed to London shortly.

A Filipino policeman was wounded and a member of a police launch was shot in the leg in a fight with Japanese at the town of Saptan in the Batanes Islands, north of Luzon, on Sunday, June 19, according to a dispatch from Manila published in the *Japan Advertiser*. The report stated the Japanese launch anchored in the port without a permit and when police attempted to arrest members of the crew, the Japanese resisted and escaped.

Miss Jane Howard, daughter of Roy Howard, President and Editor of *New York World-Telegram*, flew from Honolulu on the Hawaiian Clipper to Hongkong and from Hongkong to Hankow on the Eurasia plane. At Hankow, Miss Howard obtained an interview with Madame Chiang Kai-shek, following which she flew back to Honolulu where she is employed as a staff writer on the *Honolulu Advertiser*. Miss Howard was in Shanghai two years ago with her parents on a trip through the Orient.

Henry Kinney, propagandist connected with the Japanese South Manchuria Railway, who was in Shanghai several weeks ago, has returned to the United States for the purpose of "studying American public opinion on the Sino-Japanese hostilities." Mr. Kinney, after 10 years service with the S. M. R. in Dairen, had retired and was residing at Tahiti, when he was recalled by the management of the Japanese railway for the purpose of conducting a campaign to encourage American investments in Japanese enterprises in Manchukuo and China.

Dr. Thomas B. Dunn, American physician in Shanghai, accompanied by Mrs. Dunn and Dr. Dunn's two daughters, departed for the United States on vacation this week. Dr. Dunn plans to do post-graduate work at the Mayo Sanitorium in Rochester and will attend the convention of the Southern States Medical Association at New Orleans where he will speak on oriental diseases. Dr. Dunn's daughters will remain in the United States to attend school. Dr. Dunn has practiced in Shanghai for 18 years.

A British family, including Mrs. Annie Cock and her son David Cock were severely censured and fined in the British Supreme Court on Monday, July 28 for mistreating a Chinese coolie servant. According to evidence produced before Judge Sir Allan Mossop, the servant had been unpaid, forced to sleep on the stairway in the outside hall and in addition had not been paid the wages promised. The Court gave judgment for the servant amounting to $23.33 and ordered the defendant to pay $23 for damages for assault and also costs of the action amounting to $9.

Twin sons of Mr. and Mrs. Dean J. Hanscom of the Dollar Company, were passengers on the ill-fated Olympian Flier, which was wrecked near Miles City, Montana on Tuesday, June 21. Mr. Hanscom, formerly connected with the Dollar Company's office in Shanghai, is now general passenger agent in New York. According to the report received in Shanghai the two boys, Donald J. and Dean V., were traveling to New York from a visit on the Pacific Coast. One was seriously injured and the other was still missing, according to the report. The boys were in Shanghai last year on a trip around the world following graduation from Dartsmouth College.

Japanese Police Force Briton To Leave As an "Undesirable"

Frederick Patrick O'Hara, resident agent in Japan for the Liverpool and London Globe Insurance Company was compelled on Wednesday, June 29, to leave Japan. His departure was forced by the police on the ground that he was an "undesirable."

Mr. O'Hara, who is of Irish nationality, was arrested several weeks ago on a charge of espionage and all of his office and private papers seized. After detaining him for nearly a month for questioning, Mr. O'Hara was fined Y50 for having violated the fortified zone law by taking pictures of scenery in the vicinity of Yokohama. The police explained that his original arrest on May 4 was in accordance with the provisions of the Military and Naval Secrets Protection Law.

Congress Passed Law Prohibiting Aliens From Alasakan Fisheries

Shortly before adjournment, both houses passed and forwarded to President Roosevelt for signature a bill prohibiting aliens from fishing off the coast of Alaska. The bill, however, contained some qualifications in that it did not apply to any person who had been a resident of Alaska for three years. Only citizens or persons who have declared their intention of becoming citizens, or companies authorized by the United States, or employes of such companies, or Alaskan natives, are permitted to fish in Alaskan waters.

Lord Li Ching-nai Dies Here

Lord Li Ching-mai, a native of Hofei (Anhwei) died at his residence in Shanghai June 27. He is the youngest son of the late Grand Secretary, Marquis Li Hung-chang, and was born in the vice-regal Yamen at Tientsin in 1876, when the late Marquis was Viceroy of Pechili.

In 1900, when the Allied Forces occupied Peking, he served as private secretary to his father who was Chinese Plenipotentiary to negotiate the peace protocol with the allied representatives In 1901, after the death of the late Marquis, the Imperial Court conferred upon Lord Li the fourth rank Metropolitan Minister: later, the Third Rank: and shortly afterwards, the Button of the First Rank. Following the period of mourning for the death of his father, he was appointed Envoy Extraordinary and Minister Plenipotentiary to the Court of Vienna, in 1905, when only 30 years of age, being the youngest Minister baroad. In 1807, when leaving Vienna, he was awarded the Grand Cross of the Iron Crown, by Kaiser Franz Joseph. Upon his return to China, he was appointed Provincial Judge of Honan, and held concurrently the post of Commissioner of Police. He was also given the responsibility of training the new army for Honan.

In 1910, when Lord Li accompanied Prince Tsai Tao, the Emperor's Uncle, abroad to study military affairs, the Imperial Court conferred upon him the First of the Second Class Double Dragon Decoration with Grand Sash. They toured Japan, America England, France, Germany, Austria, Italy and Russia. During their visit in London the death occurred of His Majesty King Edward VII of England. Prince Tsai Tao was appointed ambassador to represent the Chinese Imperial Court at the funeral, and Lord Li was appointed to assist him.

During their tour of the world, Lord Li was awarded by the Mikado of Japan The Grand Cross of the Sacred Treasures: by the Republic of France, Commandant de la Legion d'Honneur: by the Kaiser of Germany, The Grand Cross of the Royal Crown of Prussia: by the King of Italy, The Grand Cross of the Royal Crown: and by the Czar of Russia The Grand Cros sof St. Anna. Kaiser Franz Joseph presented him with an Imperial autographed photograph bestowed generally to Ambassadors only. Upon his return to Peking, Lord Li was appointed Lieutenant-General of the Red Border Mongolian Regiment. Later he was made junior vice-president of the Board of Interior, and then vice-president of the Board of Communications.

Lord Li was just coming into prominence in the political world at the outbreak of the Revolution in 1911, when the Emperor abdicated. Therefore, being of a leading aristocratic family, he retired to Shanghai, where he resided until his death.

U. S. Would Boycott Tokyo Olympics

"If American athletes go to Japan, they will be bestowing their approval on a government which has lost the right to command it," the *New York Times* stated June 20, referring to the 1940 Olympics. Hundreds of thousands, perhaps millions of Chinese, the paper continued, have been marked down for death because of what the Tokyo Government has done, and "it is hypocrisy or worse to make any gesture which conceals our natural horror and revulsion. "We have an opportunity," the paper added, "by refusing to participate in the Twelfth Olympiad to express our moral judgment."

Publicity Plans by Japan

Assuring wide reception of radio descriptions of the Tokyo Olympic Games, 19 broadcasting systems, representing 16 nations, have requested the Japan Broadcasting Corporation for transmission facilities from Japan to their respective countries. The applications were made through the Olympic Organizing Committee. Two systems in the United States and two in the Argentine led the list, only one application being received from each of the following countries: Netherlands East Indies, Hungary, Poland, Switzerland, Germany, Finland, England, Rumania, Australia, Italy, Luxemburg, and Uruguay.

And on June 20, Japan put into operation a high-powered publicity campaign to tell the world about the Olympic Games. An elaborate publicity campaign was approved at a special meeting of the Olympic Organizing Committee. An appropriation of Yen 500,000 for the campaign during the coming year was approved. According to present plans, publicity agents will be dispatched to various parts of the world and publicity offices will be opened in principal cities in various countries.

By the media of pamphlets, books, photographs, moving pictures, miscellaneous printed matter and radio broadcasting the gigantic publicity organization plans to make the world "Olympic conscious and attract record-breaking crowds to Tokyo.

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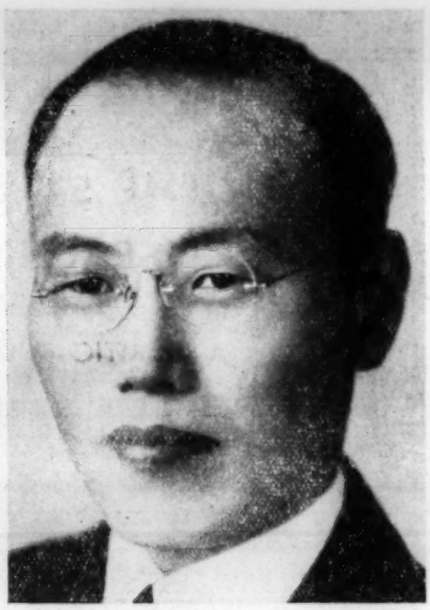
New Books of Interest in the Far East

East and West

Retreat of the West, by No-Yong Park, Ph.D., Hale, Cushman & Flint, Inc., Boston, 1937. *With an introduction by Professor George H. Blakeslee. U.S.*$3.00.

Expounding a thesis that daily unfolds before our eyes, Dr. Park's *Retreat of the West* looks at the relations between East and West from the days of the Huns down to the present. It is the author's claim that just as the Orient once caused the Europeans to strengthen themselves in resistance and so caused them to grow until they ruled the earth, so is the awakening East forcing the white man back to his own backyard where he must learn the arts of peace or perish. Let us review the story from the beginning.



Dr. No-yong Park, author of Retreat of The West, published in September by Hale, Cushman & Flint.

With the westward sweep of the Huns, the Mongols (especially the Mongols), and the Ottoman Turks Europe came into contact with the East, received the priceless boon of printing, met Arabic culture fleeing to Egypt and Spain, and finally became a group of national states using improved weapons for resisting the invaders. It is this phase that Dr. Park labels the "Tutelage of the West," and, when one recalls that the explorers sailed to find the Indies, the interpretation seems sound despite its apparent novelty.

His second division, the "Advance of the West", traces the familiar account of the coming of the white man to Asia and the opening of Japan's. "Advance" for the European was empire building instead of cultural development, so that this section is a recital of military accomplishments. It was modern armament, machine civilization, and high-sounding diplomacy that Japan picked up from the West and against which the West seems to make such little progress today. And once again the author seems to have stated his case correctly.

In his third section, "Retreat of the West," Dr. Park gives the final blow in the face of the rise of Japan and the potential rise of China. Through nationalistic diplomacy based on trying to play off rivals against each other the Western nations have allowed Japan to assume her present "big brother" position in Asia from which only united action might dislodge her. That this united action is highly improbable is brought out by the conflict of interests that the Western nations have in Asia. Here Americans will be enlightened by learning that Sir John Simon should not bear all the blame that he receives in former Secretary of State Stimson's *The Far Eastern Crisis* because, as Mr. Stimson admitted in a conversation with the author, the U. S. did not present a united front to Japan when the Council of the League proposed to send a commission to supervise the withdrawal of the Japanese troops to the railway zone after the outbreak of the Manchurian Incident of 1931; it was Mr. Stimson's idea to let the liberal government of Baron Shidehara control the headstrong Japanese army so that the powers would not have to risk their prestige in threatening intervention. As the world knows, Mr. Stimson gambled and lost when the liberals fell in Tokyo.

This is but one of the many illustrations of "expedience diplomacy" used by the West which Dr. Park has furnished in his thought-provoking book. In his attitude to his subject matter the author will take the foreign reader by surprise for he criticizes and praises as an historian should—from the point of view of the principals and often in their very words. Thus we are surprised to find that he can point to both good and bad in China and Japan as he sees these two countries against the West and now locked in mortal combat with each other. In short, this volume doses its American reading public with a rare and unusual medicine: realism in international relations.

Unfortunately the author steers clear of the capitalist aspect of imperialism and the implications for the West when China and India awake to find themselves industrialized. However, he does hammer home Japan's place in the present economic pattern so that perhaps the implication for the Orient is sufficiently clear. It may be that increasing economic stresses in the democratic countries will allow Dr. Park's point of view to be realized, for he hopes that people, whether white or yellow, will see the wisdom of building men, not empires, of building culture, not bayonets, and of seeking perfection, not expansion."

As to the "Retreat of the West" he concludes: "When the question is viewed from this angle, the retreat of the West may mean, not the decline of the West or the downfall of a particular race, but the dawn of a new civilization which will truly deserve the appellation, civilization."

T. H.

Communist Captive

A booklet "Is Thy God Able?," by the Rev. A. B. Lewis, of the China Inland Mission, tells in a moving and graphic manner the story of the hundred days' captivity by Kiangsi Communists of the Rev. and Mrs. R. W. Porteous, in 1930, and the heroic efforts on the parts of Chinese Christians to secure their release.

A Shanghai "Brainstorm"

Shanghai, The Paradise of Adventurers, by G. E. Miller (pseudonym). New York, Orsay Publishing House, Inc.

The casual tourist who spends half a day in Shanghai, and people who have never visited here will derive much vicarious pleasure from reading Mr. "Miller's" brainstorm, *Shanghai, The Paradise of Adventurers*. Those who have resided in the "Paris of the Orient" for any period of time will regret the money they spent on the book, because they can hear these same tales, and magnifications of them in many a bar in Shanghai.

The diplomat-author was perhaps one of the most gullible temporary residents Shanghai has had in years, to have swallowed so many of the lurid tales he has included in his adventure book. His sterling merits were evidently overlooked by most of the people he is so caustic about, so he proceeds to write fantastic libels about many of them.

In brief, the reader is told how adventurers, pirates, smugglers, opium traders, nationality sellers abound in Shanghai and roll in ill-gotten wealth! A grotesque account of Japan grabbing Manchuria and the League of Nations inquiry in Manchuria is included.

Read the book if you can borrow it, but don't waste your money on it at present exchange!

M. V.

U.S. To Honor Panay Rescuers

President Roosevelt has signed the Bill, passed by the Senate on May 6, authorizing the award of the Distinguished Service Medal and the Navy Cross to four British Navy officers "for courageous action" in the bombing of the U.S.S. Panay, by Japanesee airplanes on December 12, 1937. The bill stated that Rear-Admiral Reginald Vessy Holt and Captain G.E.M. O'Donnell, Rear-Admiral Holt's Chief-of-Staff in H.M.S. Bee at the time of the bombing, gave assistance in recovering the survivors of the Panay "in the face of threatened force and armed opposition."

Vice-Admiral L.G.E. Crabbe, Rear-Admiral Holt's predecessor in the command of the Yangtze Station, and Lieutenant-Commander H. D. Barlow, who was in command of the British gunboat Ladybird at the time of the bombing, gave "voluntary and unstinted co-operation." Rear-Admiral Holt and Captain O'Donnell will be awarded Distinguished Service Medals, while Vice-Admiral Crabbe and Lieutenant-Commander Barlow will each receive the Navy Cross.

Decorations Exchanged by Japan and Italy

Exchange of decorations honoring Japanese and Italian statesmen and diplomats in connection with Italy's participation in the tripartite anti-Comintern pact was announced June 17. Emperor Hirohito presented decorations to 30 Italian statesmen and diplomats, including Premier Benito Mussolini, Count Galeazzo Ciano, Foreign Minister, and Signor Guiseppe Hostianini, Vice-Minister for Foreign Affairs. Premier Mussolini was presented with the first class order of the Chrysanthemum with grand cordon; Count Ciano received the first class order of the Rising Sun with grand cordon, and Signor Hostianini was decorated with the first class order of the Sacred Treasure. Thirty Japanese statesmen decorated by King Victor Emmanuel III included Premier Prince Ayamaro Konoye, and Koki Hirota, former Foreign Minister.

Cotton Mill Owners to Protest Japanese Occupation

Shareholders of two cotton mills owned by companies incorporated under the Hongkong Ordinances will meet in Shanghai on Friday, July 15, to protest against the alleged Japanese occupation of their factories despite complaints lodged with the proper authorities. According to notices published June 29 by the two companies, the China Textile Manufacturing Company, Limited, and the China Spinners Limited, shareholders will be asked to approve a special resolution. The *China Press* reported that representations in connection with the alleged seizure of the two mills have already been made with the British Consul-General, which has passed the complaint on to the Japanese authorities. The two notices read as follows:—

"In view of the grave situation that has arisen owing to the claim of the Toyoda Cotton Mill to the right to manage our Works there will be an extraordinary meeting of Shareholders at the Company's Head Office, 88 Museum Road, on Friday, July 15, 1938, at 3 p.m. to consider and, if thought fit, pass the following resolution:—

"Resolved that the Shareholders of the China Textile Manufacturing Co., Ltd., in general meeting assembled hereby protest against the occupation of our cotton dyeing, finishing and printing works by the Toyoda Mill, and inasmuch as these Works are owned by a company incorporated under the Companies Ordinances Hongkong and represent genuine and substantial British interests that representations be made through H.B.M. Consulate-General in Shanghai with the view of obtaining the release of the Works and their restoration with all their property to the company and that shareholders of nationalities other than British be requested to make the necessary representations to protect their interests through their respective national authorities."

CHINA TEXTILE MANUFACTURING CO., LTD.

"In view of the grave situation that has arisen owing to the claim of the Toyoda Cotton Mill to the right to manage our Mill there will be an extraordinary meeting of shareholders at the Company's Head Office, 88 Museum Road, on Friday, July 15, 1938, at 3 p.m. to consider and, if thought fit, pass the following resolution:—

"Resolved that the Shareholders of the China Spinners Ltd., in general meeting assembled hereby protest against the occupation of our cotton mill by the Toyoda Mill, and inasmuch as this mill is owned by a company incorporated under the Companies Ordinances Hongkong and represents genuine and substantial British interests that representations be made through H.B.M. Consulate-General in Shanghai with the view of obtaining the release of the mill and its restoration with all its property to the company and that shareholders of nationalities other than British be requested to make the necessary representations to protect their interests through their respective national authorities."

CHINA SPINNERS LIMITED

No Confiscation, Say British

However, concerning Chinese cotton mills, the *British Chamber of Commerce Journal* reported in the course of an editorial on the subject, that "It is hoped by the Japanese that Chinese mill owners will cooperate with Japanese mill owners and that arrangements may be reached whereby the mills will be operated under Japanese management and with Japanese technical assistance; but according to official information should such cooperation be refused there is no intention on the part of the Japanese to confiscate the properties, though it is probable that the difficulties of commencing operations would be increased and the reopening of the mills would be delayed. It is further understood that the terms of cooperation, should such be arranged, are matters concerning the Japanese and Chinese principals alone, neither the Japanese Mill Owners' Association nor the Japanese officials having any part in them."

Yu Ya-ching Statement Denied

Replying to the letter from Yu Ya-ching in last week's *China Press*, A. W. Olsen referred to the text, which *inter alia* stated that ". . . . unknown to the Chairman of Committee of the International Recreation Club, the Stewards of the Shanghai Race Club had been negotiating for the sale of the property to Japanese buyers, and this only became known to the Chairman and Committee of the International Recreation Club at a Committee Meeting held on May 25."

"I am directed by the Stewards of the Shanghai Race Club," wrote Olsen, "to inform you that this statement is entirely untrue. The only offer for the purchase of the property was received on the morning of May 25, and this was immediately communicated to the General Committee of the International Recreation Club at a special meeting convened on the same day for that purpose. Mr. Yu Ya-ching was himself present at that meeting and must be fully aware of the circumstances."

Normal Traffic to Be Resumed On Rail Lines

Normal traffic will be resumed on the Shanghai-Nanking and the Shanghai-Hangchow-Ningpo railways operating out of Shanghai in August, Chinese sources close to the "Reformed Government" in Nanking revealed this week. This will be made possible by the purchase of rolling stock from Japan with funds supplied by the Anglo-China Finance Corporation, representatives of bondholders on the lines. The lines are now being operated as military railways for the use of the Japanese Army. Trains are being run on a once-a-day basis for the public, with special gasoline-operated coaches being run for the use of officers. Nominal fares are being collected from passengers as free transportation would result in confusion, officials said.

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Self-Help Scheme in Nantao Aids 300 Refugees

Some 300 unemployed Chinese men and women living in the area beyond the Nantao safety zone are being aided by the Nantao Christian Institute, which today operates the Good-Will Industries as its chief relief project, the Rev. W. D. Boone of the American Presbyterian Mission (North), revealed this week. One of the oldest social relief organizations operating in Nantao, the institute, of which Mr. Boone is the head, has turned its large building situated at Great East Gate into a work-room where the unemployed receive aid on a "self-help" plan.

Boone revealed that the "self-help" scheme has been in operation for three months. The main object is to enable the men and women to obtain work which will directly contribute to the restriction of the Nantao area. At the present time, some 200 people are working at the "Good-Will" center, while 90 others are receiving clothing and small house-hold utensils. Clothing and household articles made by the workers at the institute are being sold at low prices to the poor people in the neighborhood at the "Good-Will" store. Workers as well as those who live in the district receive free medical service at the clinic operated by the institute.

Boone said that some $1,000 is required monthly to support the work which is now being carried out. He expressed the hope that the local community will contribute generously to enbale the institute to continue its relief project. Boone is leaving here shortly with Mrs. Boone on furlough. The work will be continued by Miss J. Ricketts and Miss Ada Russell of Hangchow, with Mr. Ralph White formerly of Soochow as treasurer.

200,000 War Refugees Sent to South Kiangsi

Over 200,000 war refugees are being sent to South Kiangsi to develop the uncultivated land there. According to plans of the National Relief Association, equal mnubers of refugees will be sent to Kweichow and Yunnan Provinces in the near future.

Indicative of his deep concern over the fate of war refugees in Shansi, Hsu Shih-ying, former Chinese Ambassador to Tokyo and now Chairman of the National Relief Commission, has mapped out definite measures for the relief of the victims in that province. The plans, it is stated, calls the division of the province into three areas, to each of which a special official has been sent to esuprvise over the relief work. A total of $180,000 is reported to have allotted as a relief fund for Shensi war sufferers.

Relief for Flood Victims

Following a meeting of representatives of the Executive Yuan, the Ministry of Economics and various other organs concerned, it is learned that definite measures for relief of the Yellow River flood victims have been decided upon. The Ministry of Economics has instructed the Yellow River Conservancy Commitssion to adopt urgent measures to close the breaches in the dykes of the Yellow River, and to despatch a representative to Honan to distribute relief funds among the flood victims.

Nanking to Have New Business District

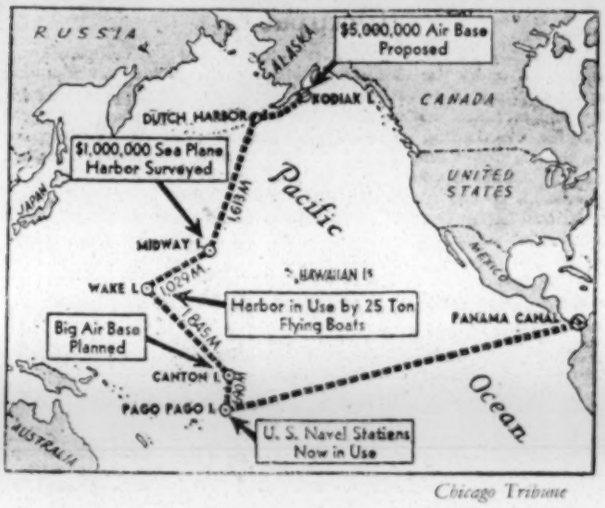
A new business district will be developed in Nanking within the next three months, according to plans of the "Nanking Municipal Administration," of which Jen Yoh-tao is the director. Areas on both sides of Shansi Road, the residential district of Nanking before the Japanese occupation, have been marked out as the new business district. Blocks of new boildings will be constructed in this area and leased to merchants as shop premises at reasonable rentals. Merchants desiring to secure portions of land within this district and to construct buildings of their own designs will be permitted to do so provided that they submit their plans to the Municipal administration before the commencement of construction work.

At the site of the former municipal swimming pool off Hanchung Road will be erected several markets for the numerous stall holders who now carry on their business on roadsides. Both Shansi and Hanchun Roads are in the northern part of Nanking. The decision to select an area in the northern part as the new business district was reached in view of the fact that most of the shop buildings along Taiping Road, Chun Hwa Road and other streets were either destroyed or badly damaged during the hostilities. Funds required for the development of the new business district have been set aside by the municipal administration.

"No Comment" On British Troops Increase

Stating that he had "no comment to make," a Japanese military spokesman June 23 declined to discuss the report that British troops in Shanghai had been increased. "I am told that it is customary for the forces stationed here for the defense of International Settlement to exchange information regarding the strength of their respective detachments. I am not aware of any communication from the British authorities tending to indiocate a recent increase in their forces," the spokesman said. The report, which appeared under a Shanghai detaline in the Tokyo Nichi-Nichi, alleged that "about 15,000 to 25,000 British troops have secretly landed in Shanghai since late in May."

U. S. Navy's Aviation "Line" in the Pacific



Chicago Tribune

The United States navy's projected air bases in Alaska and on Midway Island will be links in a 10,000 mile "information" line in the Pacific, according to well informed sources. The line will run from Kodiac Island and Dutch harbor southward through Midway, Wake, and Canton Islands and thence south and eastward to American Samoa and the Panama canal. Admiral William D. Leahy, chief of naval operations, recently disclosed to congress that the navy had mapped such a line "to obtain information from the enemy" in any Pacific conflict. In the event of a Pacific war radio stations at these points and the navy's long range patrol planes would be able to report quickly any enemy movements, thus guiding an intercepting American fleet.

Lawyers Expelled; Retaliation Foreshadowed

Retaliatory action against the present leaders of the Shanghai Chinese Bar Association in the event the control of the local courts is assumed by the "Reformed Government" was foreshadowed by the *Shanghai Mainichi* last week. About 30 members of the association, whose membership totals 2,000, were stricken off the rolls on June 19. Those expelled are connected with the "Reformed Government," the "Shanghai City Government" and various autonomous commissions and peace maintenance associations in Japanese-occupied territory in Central China. This action paralleled, the *Mainichi* said, the steps taken by the Hankow Government cancelling the registration of lawyers serving with various civic organizational in Japanese controlled areas. The leaders of the Bar Association, the Mainichi alleged, were acting under instructions of the Hankow regime.

Soviets Detain Japanese Vessels; Agreement Reached

While diplomatis in Tokyo June 28 concluded an agreement on the explosive Russo-Japanese fisheries issue, a Soviet patrol vessel allegedly seized a Japanese fishing boat off Paramushiro Island in the Kuriles. According to a report made by the Kwannon Maru to the Nemuro authorities, the s.s. Kizaki Maru was taken in tow June 27 by an unidentified Soviet patrol ship. The Japanese vessel, with two others, first reported missing. While the whereabouts of the remaining ships are unknown, officials here believe that they may also have been detained by the Soviet.s

On May 31st, a Soviet refrigerator ship ran aground in the Laperouse Strait in the vicinity of Japanese shores. Instead of rendering assistance, customary in international relations, the Japanese authorities have arrested the ship and imprisoned the captain, explaining their actions by the fact that the ship has violated the prohibited zone, *Tass* reported. The arrest of the Soviet ship and captain is a direct violation of Clause 9 of the Portsmouth Treaty which forbids Japan to erect any military fortifications or any other military objects on the shores of this strait, also binds the Japanese government to create no obstacles to free navigation in the strait, the news agency said.

Local Japanese Seek Yen 12,000,000

Formally launching a campaign seeking Yen 12,000,000 as relief funds from the Japanese Government, several hundred residents of "Little Tokyo" gathered at the Japanese Club, Boone Road June 23. The money would be distributed in the form of low interest loans with a lengthy redemption period. The gathering, styled "The First General Joint Meeting of Japanese War Sufferers in Shanghai," lasted for three hours. Dissatisfaction with the allotment of only Yen 4,500,000 for Shanghai relief was voiced by the speakers.

WILL YOU HELP?

From the time of its inauguration last October to May 14 this year, the Shanghai International Red Cross has, among other things, allocated and spent $1,253,-906.04 for the caring of refugees; $190,866.43 for medical supplies; $173,585.21 for work among wounded soldiers and $22,500 for relief work in Nanking. Though these are large sums, they have merely met the needs of a portion of the huge population made penniless by the war.

The funds of the Shanghai International Red Cross are about exhausted. Unless further donations are secured from friends here and abroad, the S.I.R.C. will soon find it impossible to continue its work.

Unless you help, the refugees will very soon face starvation. Please sign your name below and send your donation today.

.....

To The Shanghai International Red Cross
505 Honan Road
Shanghai

Desiring to have a share in assisting the multitudes of war refugees in Shanghai, I hereby enclose a check, or postal money order, for dollars..... as my donation to the Shanghai International Red Cross.

Signed .....

Address .....

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AMAZING EXTENT OF WAR DESTRUCTION IN CHINA

What is the extent of China's war damage? The March 19 issue of **The Review** contained a 32 page supplement devoted entirely to the matter of losses caused by Japan's "undeclared" war in China—Industrial, Commercial, Residential; Chinese Colleges and Universities; Civic and Cultural Structures; Christian Educational Centers; Mission and Religious Buildings; Scrap-Iron and Machinery Thefts; Foreign Commerce throttled!

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Owing to the extra expense involved in resetting and reprinting the entire edition, the selling price for the combined regular edition and Supplement (60 pages), including postage in China, will be 50-cents a copy, or a dozen copies for $5.00 Chinese currency.

It is the most complete summary dealing with Japanese destruction in the Shanghai-Nanking-Hangchow district, most densely populated area and industrialized section of the Chinese Republic which has been published anywhere.

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